
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549**

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 28, 2012
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the transition period from _____ to _____
Commission file number 1-8344

LIMITED BRANDS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

31-1029810
(I.R.S. Employer Identification No.)

Three Limited Parkway, P.O. Box 16000,
Columbus, Ohio
(Address of principal executive offices)

43216
(Zip Code)

Registrant's telephone number, including area code (614) 415-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$.50 Par Value

Name of each exchange on which registered
The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was: \$9,222,266,781.

Number of shares outstanding of the registrant's Common Stock as of March 9, 2012: 289,398,347.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Registrant's 2012 Annual Meeting of Stockholders to be held on May 26, 2012, are incorporated by reference into Part II and Part III.

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PART I

ITEM 1. BUSINESS.

General

We operate in the highly competitive specialty retail business. Founded in 1963 in Columbus, Ohio, we have evolved from an apparel-based specialty retailer to a segment leader focused on women's intimate and other apparel, personal care and beauty categories that make customers feel sexy, sophisticated and forever young. We sell our merchandise through specialty retail stores in the United States ("U.S.") and Canada, which are primarily mall-based, and through websites, catalogue and international franchise, license and wholesale partners. We are committed to building a family of the world's best fashion retail brands, offering captivating customer experiences that drive long-term loyalty.

Victoria's Secret

Victoria's Secret, including Victoria's Secret Pink, is the leading specialty retailer of women's intimate and other apparel with fashion-inspired collections, prestige fragrances and cosmetics, celebrated supermodels and world-famous runway shows. We sell our Victoria's Secret products at more than 1,000 Victoria's Secret stores in the U.S. and Canada, through the Victoria's Secret catalogue and online at www.VictoriasSecret.com. Additionally, Victoria's Secret brand products are also available in Victoria's Secret Beauty and Accessories stores operated by partners under a franchise or wholesale model throughout the world.

Bath & Body Works

Bath & Body Works is one of the leading specialty retailers of home fragrance and personal care products including shower gels, lotions and antibacterial soaps. We sell our Bath & Body Works products at more than 1,600 Bath & Body Works stores in the U.S. and Canada and online at www.BathandBodyWorks.com. Additionally, Bath & Body Works brand products are available through franchise locations in the Middle East.

Other Brands

La Senza is a specialty retailer of women's intimate apparel. We sell our La Senza products at more than 200 La Senza stores in Canada and online at www.LaSenza.com. Additionally, La Senza has approximately 300 stores in 30 countries operating under franchise and licensing arrangements.

Henri Bendel sells upscale accessory products through our New York flagship and 18 other stores, as well as online at www.HenriBendel.com.

Acquisitions and Divestitures

La Senza

In January 2007, we completed our acquisition of La Senza. The results of La Senza are included in the Other segment.

Express

In July 2007, we completed the divestiture of 75% of our ownership interest in Express to affiliates of Golden Gate Capital. From May 2010 through July 2011, we sold 10.4 million shares of Express common stock and contributed our remaining 7.2 million shares of common stock to The Limited Brands Foundation.

Limited Stores

In August 2007, we completed the divestiture of 75% of our ownership interest in Limited Stores to affiliates of Sun Capital. In June 2010, we completed the divestiture of our remaining 25% ownership interest in Limited Stores.

Third-party Apparel Sourcing Business

On October 31, 2011, we divested 51% of our ownership interest in our third-party apparel sourcing business to affiliates of Sycamore Partners. We continue to retain a 49% interest which we account for as an equity method investee.

Fiscal Year

Our fiscal year ends on the Saturday nearest to January 31. As used herein, “2011”, “2010”, “2009”, “2008” and “2007” refer to the 52 week periods ending January 28, 2012, January 29, 2011, January 30, 2010, January 31, 2009 and February 2, 2008, respectively. “2012” refers to the 53 week period ended February 2, 2013.

Real Estate

Company-owned Retail Stores

Our company-owned retail stores are located in shopping malls, lifestyle centers and street locations in the U.S. and Canada. As a result of our strong brand and established retail presence, we have been able to acquire high-traffic locations in most retail centers in which we operate. Substantially all of our stores were profitable in 2011.

The following table provides the retail businesses and the number of our company-owned retail stores in operation for each business as of January 28, 2012 and January 29, 2011.

	January 28, 2012	January 29, 2011
Victoria’s Secret Stores U.S.	1,017	1,028
Bath & Body Works U.S.	1,587	1,606
La Senza Canada (a)	230	252
Bath & Body Works Canada	69	59
Victoria’s Secret Canada	19	12
Henri Bendel	19	11
Total	2,941	2,968

- (a) During the fourth quarter of 2011, we initiated a restructuring program designed to resize a portion of La Senza's store fleet. Under this program, we plan to close 38 underperforming stores. Of these stores, 12 were closed as of January 28, 2012. The remainder were closed during the first quarter of 2012. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

The following table provides the changes in the number of our company-owned retail stores operated for the past five fiscal years:

Fiscal Year	Beginning of Year	Opened	Closed	Acquired/ Divested Businesses	End of Year
2011	2,968	40	(67)	—	2,941
2010	2,971	44	(47)	—	2,968
2009	3,014	59	(102)	—	2,971
2008	2,926	145	(57)	—	3,014
2007	3,766	129	(100)	(869) (a)	2,926

- (a) Express and Limited Stores were divested in July 2007 and August 2007, respectively.

Franchise, License and Wholesale Agreements

In addition to our company-owned stores, our products are sold at hundreds of franchise and other locations throughout the world. We have agreements with unaffiliated partners to operate Victoria's Secret, Bath & Body Works and La Senza stores throughout the world. Under these agreements, third parties operate stores that sell our products under our brand names. We continue to increase the number of countries under these types of arrangements as part of our efforts to expand internationally.

Our Strengths

We believe the following competitive strengths contribute to our leading market position, differentiate us from our competitors, and will drive future growth:

Industry Leading Brands

We believe that our two flagship brands, Victoria's Secret and Bath & Body Works, are highly recognized and others, including Victoria's Secret Pink and La Senza, exhibit brand recognition which provides us with a competitive advantage. These brands are aspirational at accessible price points and have a loyal customer base. These brands allow us to target markets across the economic spectrum, across demographics and across the world.

- At Victoria's Secret, we market products to the college-age woman with Victoria's Secret Pink and then transition her into glamorous and sexy product lines, such as Angels, Very Sexy and Body by Victoria. While bras and panties are the core of what we do, these brands also give our customers choices in clothing, accessories, fragrances, personal care, swimwear and athletic attire.
- Bath & Body Works caters to our customers' entire well-being, providing shower gels and lotions, aromatherapy, antibacterial soaps, home fragrance and personal care accessories.
- In Canada, La Senza is a leader in young women's intimate apparel. La Senza offerings include bras, panties, sleepwear, loungewear and accessories.

In-Store Experience and Store Operations

We view the customers' in-store experience as an important vehicle for communicating the image of each brand. We utilize visual presentation of merchandise, in-store marketing, music and our sales associates to reinforce the image represented by the brands.

Our in-store marketing is designed to convey the principal elements and personality of each brand. The store design, furniture, fixtures and music are all carefully planned and coordinated to create a unique shopping experience. Every brand displays merchandise uniformly to ensure a consistent store experience, regardless of location. Store managers receive detailed plans designating fixture and merchandise placement to ensure coordinated execution of the company-wide merchandising strategy.

Our sales associates and managers are a central element in creating the atmosphere of the stores by providing a high level of customer service.

Product Development, Sourcing and Logistics

We believe a large part of our success comes from frequent and innovative product launches, which include bra launches at Victoria's Secret and La Senza and new fragrance launches at Bath & Body Works. Our merchant, design and sourcing teams have a long history of bringing innovative products to our customers. Additionally, we believe that our sourcing function (Mast Global) has a long and deep presence in the key sourcing markets including those in the United States and Asia, which helps us partner with the best manufacturers and get high quality products quickly.

Experienced and Committed Management Team

We were founded in 1963 and have been led since inception by Leslie H. Wexner. Our senior management team has a wealth of retail and business experience at Limited Brands and other companies such as Neiman Marcus, Target, The Gap, Inc., The Home Depot, Carlson Companies, Land's End, Levi Strauss and Yum Brands. We believe that we have one of the most experienced management teams in retail.

Additional Information

Merchandise Suppliers

During 2011, we purchased merchandise from approximately 1,000 suppliers located throughout the world. No supplier provided 10% or more of our merchandise purchases.

Distribution and Merchandise Inventory

Most of the merchandise and related materials for our stores are shipped to our distribution centers in the Columbus, Ohio area. We use a variety of shipping terms that result in the transfer of title to the merchandise at either the point of origin or point of destination.

Our policy is to maintain sufficient quantities of inventories on hand in our retail stores and distribution centers to enable us to offer customers an appropriate selection of current merchandise. We emphasize rapid turnover and take markdowns as required to keep merchandise fresh and current.

Information Systems

Our management information systems consist of a full range of retail, financial and merchandising systems. The systems include applications related to point-of-sale, e-commerce, merchandising, planning, sourcing, logistics, inventory management and support systems including human resources and finance. We continue to invest in technology to upgrade core systems to continue to improve our efficiency and accuracy in the production and delivery of merchandise to our stores.

Seasonal Business

Our operations are seasonal in nature and consist of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). The fourth quarter, including the holiday season, accounted for approximately one-third of our net sales for 2011, 2010 and 2009 and is typically our most profitable quarter. Accordingly, cash requirements are highest in the third quarter as our inventories build in advance of the holiday season.

Working Capital

We fund our business operations through a combination of available cash and cash equivalents and cash flows generated from operations. In addition, our revolving credit facility is available for additional working capital needs and investment opportunities.

Regulation

We and our products are subject to regulation by various federal, state, local and foreign regulatory authorities. We are subject to a variety of customs regulations and international trade arrangements.

Trademarks and Patents

Our trademarks and patents, which constitute our primary intellectual property, have been registered or are the subject of pending applications in the United States Patent and Trademark Office and with the registries of many foreign countries and/or are protected by common law. We believe our products are identified by our intellectual property and, thus, our intellectual property is of significant value. Accordingly, we intend to maintain our intellectual property and related registrations and vigorously protect our intellectual property assets against infringement.

Segment Information

We have two reportable segments: Victoria's Secret and Bath & Body Works. Prior to the fourth quarter of 2011, the Victoria's Secret reportable segment consisted of the Victoria's Secret and La Senza operating segments which were aggregated in accordance with the authoritative guidance included in Accounting Standards Codification Topic 280, *Segment Reporting*. In the fourth quarter of 2011, we ceased aggregating La Senza with Victoria's Secret. While this reporting change did not impact our consolidated results, segment data for previous years has been recast to be consistent with the current year presentation throughout the Form 10-K. For additional information, see Note 21 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Other Information

For additional information about our business, including our net sales and profits for the last three years and selling square footage, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation. For the financial results of our reportable segments, see Note 21 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Competition

The sale of women's intimate and other apparel, personal care and beauty products and accessories through retail stores is a highly competitive business with numerous competitors, including individual and chain specialty stores, department stores and discount retailers. Brand image, marketing, design, price, service, assortment and quality are the principal competitive factors in retail store sales. Our direct response businesses compete with numerous national and regional direct response merchandisers. Image presentation, fulfillment and the factors affecting retail store sales discussed above are the principal competitive factors in direct response sales.

Associate Relations

As of January 28, 2012, we employed approximately 97,000 associates, 79,000 of whom were part-time. In addition, temporary associates are hired during peak periods, such as the holiday season.

Executive Officers of Registrant

Set forth below is certain information regarding our executive officers.

Leslie H. Wexner, 74, has been our Chairman of the Board of Directors for more than thirty years and our Chief Executive Officer since our founding in 1963.

Martyn R. Redgrave, 59, has been our Executive Vice President and Chief Administrative Officer since March 2005.

Stuart B. Burgdoerfer, 48, has been our Executive Vice President and Chief Financial Officer since April 2007.

Sharen J. Turney, 55, has been our Chief Executive Officer and President of Victoria's Secret since July 2006.

Nicholas P. M. Coe, 49, has been our Chief Executive Officer and President of Bath & Body Works since August 2011.

Charles C. McGuigan, 55, has been our Chief Executive Officer and President of Mast Global since February 2011.

Jane L. Ramsey, 54, has been our Executive Vice President, Human Resources, since April 2006.

All of the above officers serve at the discretion of our Board of Directors and are members of our Executive Committee.

Available Information

We are subject to the reporting requirements of the Exchange Act and its rules and regulations. The Exchange Act requires us to file reports, proxy statements and other information with the U.S. Securities and Exchange Commission ("SEC"). Copies of these reports, proxy statements and other information can be read and copied at:

SEC Public Reference Room
100 F Street NE
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's website at www.sec.gov. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available, free of charge, on our website www.LimitedBrands.com.

Copies of any of the above-referenced documents will also be made available, free of charge, upon written request to:

Limited Brands, Inc.
Investor Relations Department
Three Limited Parkway, P.O. Box 16000
Columbus, Ohio 43216

ITEM 1A. RISK FACTORS.

We caution that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this report or made by our company or our management involve risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," "planned," "potential" and any similar expressions may identify forward-looking statements. Risks associated with the following factors, among others, in some cases have affected and in the future could affect our financial performance and actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by our company or our management:

- general economic conditions, consumer confidence, consumer spending patterns and market disruptions including severe weather conditions, natural disasters, health hazards, terrorist activities, financial crises, political crises or other major events, or the prospect of these events;
- the seasonality of our business;
- the dependence on a high volume of mall traffic and the possible lack of availability of suitable store locations on

appropriate terms;

- our ability to grow through new store openings and existing store remodels and expansions;
- our ability to successfully expand into international markets and related risks;
- our independent licensees and franchisees;
- our direct channel business;
- our failure to protect our reputation and our brand images;
- our failure to protect our trade names, trademarks and patents;
- the highly competitive nature of the retail industry generally and the segments in which we operate particularly;
- consumer acceptance of our products and our ability to keep up with fashion trends, develop new merchandise and launch new product lines successfully;
- our reliance on foreign sources of production, including risks related to:
 - political instability;
 - duties, taxes, other charges on imports;
 - legal and regulatory matters;
 - volatility in currency exchange rates;
 - local business practices and political issues;
 - potential delays or disruptions in shipping and related pricing impacts;
 - the disruption of imports by labor disputes; and
 - changing expectations regarding product safety due to new legislation;
- stock price volatility;
- our failure to maintain our credit rating;
- our ability to service our debt;
- our ability to retain key personnel;
- our ability to attract, develop and retain qualified employees and manage labor costs;
- the inability of our manufacturers to deliver products in a timely manner and meet quality standards;
- fluctuations in product input costs;
- fluctuations in energy costs;
- increases in the costs of mailing, paper and printing;
- claims arising from our self-insurance;
- our ability to implement and maintain information technology systems;
- our failure to comply with regulatory requirements;
- tax matters; and
- legal and compliance matters.

We are not under any obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this report to reflect circumstances existing after the date of this report or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

The following discussion of risk factors contains “forward-looking statements.” These risk factors may be important to understanding any statement in this Form 10-K, other filings or in any other discussions of our business. The following information should be read in conjunction with Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation and Item 8. Financial Statements and Supplementary Data.

In addition to the other information set forth in this report, the reader should carefully consider the following factors which could materially affect our business, financial condition or future results. The risks described below are not our only risks.

Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also adversely affect our business, operating results and/or financial condition in a material way.

Our net sales, profit results and cash flow are sensitive to, and may be adversely affected by, general economic conditions, consumer confidence, spending patterns and market disruptions.

Our net sales, profit, cash flows and future growth may be adversely affected by negative local, regional, national or international political or economic trends or developments that reduce the consumers' ability or willingness to spend, including the effects of national and international security concerns such as war, terrorism or the threat thereof. In addition, market disruptions due to severe weather conditions, natural disasters, health hazards or other major events or the prospect of these events could also impact consumer spending and confidence levels. In particular, our operating results are impacted by factors in the U.S. and Canadian economies. Purchases of women's intimate and other apparel, beauty and personal care products and accessories often decline during periods when economic or market conditions are unsettled or weak. In such circumstances, we may increase the number of promotional sales, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Our net sales, operating income and inventory levels fluctuate on a seasonal basis.

We experience major seasonal fluctuations in our net sales and operating income, with a significant portion of our operating income typically realized during the fourth quarter holiday season. Any decrease in sales or margins during this period could have a material adverse effect on our results of operations, financial condition and cash flows.

Seasonal fluctuations also affect our inventory levels, since we usually order merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. We must carry a significant amount of inventory, especially before the holiday season selling period. If we are not successful in selling inventory, we may have to sell the inventory at significantly reduced prices or may not be able to sell the inventory at all, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Our net sales depend on a volume of traffic to our stores and the availability of suitable lease space.

Most of our stores are located in retail shopping areas including malls and other types of retail centers. Sales at these stores are derived, in part, from the volume of traffic in those retail areas. Our stores benefit from the ability of the retail center and other attractions in an area, including "destination" retail stores, to generate consumer traffic in the vicinity of our stores. Sales volume and retail traffic may be adversely affected by economic downturns in a particular area, competition from other retail and non-retail attractions and other retail areas where we do not have stores.

Part of our future growth is significantly dependent on our ability to operate stores in desirable locations with capital investment and lease costs providing the opportunity to earn a reasonable return. We cannot be sure as to when or whether such desirable locations will become available at reasonable costs.

These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Our ability to grow depends in part on new store openings and existing store remodels and expansions.

Our continued growth and success will depend in part on our ability to open and operate new stores and expand and remodel existing stores on a timely and profitable basis. Accomplishing our new and existing store expansion goals will depend upon a number of factors, including the ability to partner with developers and landlords to obtain suitable sites for new and expanded stores at acceptable costs, the hiring and training of qualified personnel, particularly at the store management level, and the integration of new stores into existing operations. There can be no assurance we will be able to achieve our store expansion goals, manage our growth effectively, successfully integrate the planned new stores into our operations or operate our new, remodeled and expanded stores profitably. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Our plans for international expansion include risks that could adversely impact our results and reputation.

We intend to further expand into international markets through license and franchise agreements and/or company-owned stores. The risks associated with our expansion into international markets include difficulties in attracting customers due to a lack of customer familiarity with our brands, our lack of familiarity with local customer preferences and seasonal differences in the market. Further, entry into other markets may bring us into competition with new competitors or with existing competitors with an established market presence. Other risks include general economic conditions in specific countries or markets, disruptions or delays in shipments, changes in diplomatic and trade relationships, political instability and foreign governmental regulation.

We also have risks related to identifying suitable partners as licensees, franchisees or in a similar capacity. In addition, certain aspects of these arrangements are not directly within our control, such as the ability of these third parties to meet their projections regarding store openings and sales. We cannot ensure the profitability or success of our expansion into international markets.

In addition, our results of operations and financial condition may be adversely affected by fluctuations in currency exchange rates. More specifically, an increase in the value of the U.S. dollar relative to other currencies could have an adverse effect on our earnings and our financial condition.

These risks could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

Our licensees and franchisees could take actions that could harm our business or brand images.

We have global representation through independently owned stores operated by licensees and franchisees (“partners”). Although we have criteria to evaluate and select prospective partners, the level of control we can exercise over our partners is limited and the quality and success of their operations may be diminished by any number of factors beyond our control. Our partners may not have the business acumen or financial resources necessary to successfully operate stores in a manner consistent with our standards and may not hire and train qualified store managers and other personnel. Our brand image and reputation may suffer materially and our sales could decline if our partners do not operate successfully. These risks could have an adverse effect on our results of operations, financial condition and cash flows.

Our direct channel business includes risks that could have an adverse effect on our results.

Our direct operations are subject to numerous risks that could have a material adverse effect on our results. Risks include, but are not limited to, the (a) diversion of sales from our stores, which may impact comparable store sales figures, (b) difficulty in recreating the in-store experience through our direct channels, (c) domestic or international resellers purchasing merchandise and reselling it overseas outside our control, (d) the failure of and risks related to the systems that operate the websites and their related support systems, including computer viruses, theft of customer information, privacy concerns, telecommunication failures and electronic break-ins and similar disruptions, and (e) risks related to the fulfillment of direct-to-consumer orders. Any of these events could have a material adverse effect on our results of operations, financial condition and cash flows.

Our failure to protect our reputation could have a material adverse effect on our brand images.

Our ability to maintain our reputation is critical to our brand images. Our reputation could be jeopardized if we fail to maintain high standards for merchandise quality and integrity. Any negative publicity about these types of concerns may reduce demand for our merchandise. Failure to comply with ethical, social, product, labor and environmental standards, or related political considerations, could also jeopardize our reputation and potentially lead to various adverse consumer actions, including boycotts. Failure to comply with local laws and regulations, to maintain an effective system of internal controls or to provide accurate and timely financial statement information could also hurt our reputation. Damage to our reputation or loss of consumer confidence for any of these or other reasons could have a material adverse effect on our results of operations, financial condition and cash flows, as well as require additional resources to rebuild our reputation.

Our failure to adequately protect our trade names, trademarks and patents could have a negative impact on our brand images and limit our ability to penetrate new markets.

We believe that our trade names, trademarks and patents are an essential element of our strategy. We have obtained or applied for federal registration of these trade names, trademarks and patents and have applied for or obtained registrations in many foreign countries. There can be no assurance that we will obtain such registrations or that the registrations we obtain will prevent the imitation of our products or infringement of our intellectual property rights by others. If any third-party copies our products in a manner that projects lesser quality or carries a negative connotation, it could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

Our inability to compete favorably in our highly competitive segment of the retail industry could negatively impact our results.

The sale of women’s intimate and other apparel, personal care products and accessories is highly competitive. We compete for sales with a broad range of other retailers, including individual and chain specialty stores, department stores and discount retailers. In addition to the traditional store-based retailers, we also compete with direct marketers or retailers that sell similar lines of merchandise and who target customers through direct response channels. Brand image, marketing, design, price, service, quality, image presentation and fulfillment are all competitive factors in both the store-based and direct response channels.

Some of our competitors may have greater financial, marketing and other resources available. In many cases, our competitors sell their products in stores that are located in the same shopping malls as our stores. In addition to competing for sales, we compete for favorable site locations and lease terms in shopping malls.

Increased competition could result in price reductions, increased marketing expenditures and loss of market share, any of which could have a material adverse effect on our results of operations, financial condition and cash flows.

Our inability to remain current with fashion trends and launch new product lines successfully could negatively impact the image and relevance of our brands.

Our success depends in part on management's ability to effectively anticipate and respond to changing fashion preferences and consumer demands and to translate market trends into appropriate, saleable product offerings in advance of the actual time of sale to the customer. Customer demands and fashion trends change rapidly. If we are unable to successfully anticipate, identify or react to changing styles or trends or we misjudge the market for our products or any new product lines, our sales will be lower, potentially resulting in significant amounts of unsold finished goods inventory. In response, we may be forced to increase our marketing promotions or price markdowns. These risks could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

We rely significantly on foreign sources of production and maintenance of operations in foreign countries.

We purchase merchandise directly in foreign markets and in our domestic market. Many of our imports are subject to a variety of customs regulations and international trade arrangements, including existing or potential duties, tariffs or safeguard quotas. We compete with other companies for production facilities.

We also face a variety of other risks generally associated with doing business in foreign markets and importing merchandise from abroad, such as:

- political instability;
- imposition of duties, taxes and other charges on imports;
- legal and regulatory matters;
- volatility in currency exchange rates;
- local business practice and political issues (including issues relating to compliance with domestic or international labor standards) which may result in adverse publicity or threatened or actual adverse consumer actions, including boycotts;
- potential delays or disruptions in shipping and related pricing impacts;
- disruption of imports by labor disputes; and
- changing expectations regarding product safety due to new legislation.

New initiatives may be proposed impacting the trading status of certain countries and may include retaliatory duties or other trade sanctions which, if enacted, would limit or reduce the products purchased from suppliers in such countries.

In addition, significant health hazards, environmental hazards or natural disasters may occur which could have a negative effect on the economies, financial markets and business activity. Our purchase of merchandise from these manufacturing operations may be affected by this risk.

Our future performance will depend upon these and the other factors listed above which are beyond our control and could have a material adverse effect on our results of operations, financial condition and cash flows.

Our stock price may be volatile.

Our stock price may fluctuate substantially as a result of quarter to quarter variations in our actual or projected performance or the financial performance of other companies in the retail industry. In addition, the stock market has experienced price and volume fluctuations that have affected the market price of many retail and other stocks and that have often been unrelated or disproportionate to the operating performance of these companies.

Our failure to maintain our credit rating could negatively affect our ability to access capital and would increase our interest expense.

The credit ratings agencies periodically review our capital structure and the quality and stability of our earnings. Any negative ratings actions could constrain the capital available to our company or our industry and could limit our access to funding for

our operations. We are dependent upon our ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes constrained, our interest costs will likely increase, which could have a material adverse effect on our results of operations, financial condition and cash flows. Additionally, changes to our credit rating would affect our interest costs.

We may be unable to service our debt.

Some of our debt agreements contain covenants which require maintenance of certain financial ratios and also, under certain conditions, restrict our ability to pay dividends, repurchase common shares and make other restricted payments as defined in those agreements. Our cash flow from operations provides the primary source of funds for our debt service payments. If our cash flow from operations declines, we may be unable to service or refinance our current debt.

We may be unable to retain key personnel.

We believe we have benefited substantially from the leadership and experience of our senior executives, including Leslie H. Wexner (Chairman of the Board of Directors and Chief Executive Officer). The loss of the services of any of these individuals could have a material adverse effect on our business and prospects. Competition for key personnel in the retail industry is intense and our future success will also depend on our ability to recruit, train and retain other qualified key personnel.

We may be unable to attract, develop and retain qualified employees and manage labor costs.

We believe our competitive advantage is providing a positive, engaging and satisfying experience for each individual customer, which requires us to have highly trained and engaged employees. Our success depends in part upon our ability to attract, develop and retain a sufficient number of qualified employees, including store personnel and talented merchants. The turnover rate in the retail industry is generally high and qualified individuals of the requisite caliber and number needed to fill these positions may be in short supply in some areas. Competition for such qualified individuals or changes in labor and healthcare laws could require us to incur higher labor costs. Our inability to recruit a sufficient number of qualified individuals in the future may delay planned openings of new stores or affect the speed with which we expand. Delayed store openings, significant increases in employee turnover rates or significant increases in labor costs could have a material adverse effect on our results of operations, financial condition and cash flows.

Our manufacturers may not be able to manufacture and deliver products in a timely manner and meet quality standards.

We purchase products through contract manufacturers and importers and directly from third-party manufacturers. Factors outside our control, such as manufacturing or shipping delays or quality problems, could disrupt merchandise deliveries and result in lost sales, cancellation charges or excessive markdowns. In addition, quality problems could result in a product liability judgment or a widespread product recall that may negatively impact our sales and profitability for a period of time depending on product availability, competition reaction and consumer attitudes. Even if the product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertions could adversely impact our reputation with existing and potential customers and our brand image. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Our results may be adversely affected by fluctuations in product input costs.

Product input costs, including manufacturing labor and raw materials, fluctuate. These fluctuations may result in an increase in our production costs. We may not be able to, or may elect not to, pass these increases on to our customers which may adversely impact our profit margins. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Our results may be adversely affected by fluctuations in energy costs.

Energy costs have fluctuated dramatically in the past. These fluctuations may result in an increase in our transportation costs for distribution, utility costs for our retail stores and costs to purchase products from our manufacturers. A continual rise in energy costs could adversely affect consumer spending and demand for our products and increase our operating costs, both of which could have a material adverse effect on our results of operations, financial condition and cash flows.

We may be adversely impacted by increases in costs of mailing, paper and printing.

Postal rate increases and paper and printing costs will affect the cost of our order fulfillment and catalogue and promotional mailings. We rely on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting. Future paper and postal rate increases could adversely impact our earnings if we are unable to recover these costs or if we are unable

to implement more efficient printing, mailing, delivery and order fulfillment systems. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

We self-insure certain risks and may be adversely impacted by unfavorable claims experience.

We are self-insured for various types of insurable risks including associate medical benefits, workers' compensation, property, general liability and automobile up to certain stop-loss limits. Claims are difficult to predict and may be volatile. Any adverse claims experience could have a material adverse effect on our results of operations, financial condition and cash flows.

We significantly rely on our ability to implement and sustain information technology systems.

Our success depends, in part, on the secure and uninterrupted performance of our information technology systems. Our information technology systems, as well as those of our service providers, are vulnerable to damage from a variety of sources, including telecommunication failures, malicious human acts and natural disasters. Moreover, despite network security measures, some of our servers and those of our service providers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Additionally, these types of problems could result in a breach of confidential customer information which could result in damage to our reputation and/or litigation. Despite the precautions we have taken, unanticipated problems may nevertheless cause failures in our information technology systems. Sustained or repeated system failures that interrupt our ability to process orders and deliver products to the stores or impact our consumers ability to access our websites in a timely manner or expose confidential customer information could have a material adverse effect on our results of operations, financial condition and cash flows.

In addition, we will make modifications and upgrades to the information technology systems for point-of-sale, e-commerce, merchandising, planning, sourcing, logistics, inventory management and support systems including human resources and finance. Modifications involve replacing legacy systems with successor systems, making changes to legacy systems or acquiring new systems with new functionality. We are aware of inherent risks associated with replacing these systems, including accurately capturing data and system disruptions. Information technology system disruptions, if not anticipated and appropriately mitigated, could have a material adverse effect on our operations.

We may fail to comply with regulatory requirements.

As a public company, we are subject to numerous regulatory requirements. Our policies, procedures and internal controls are designed to comply with all applicable foreign and domestic laws and regulations, including those required by the Sarbanes-Oxley Act of 2002, the SEC and the New York Stock Exchange (the "NYSE"). Failure to comply with such laws and regulations could have an adverse effect on our reputation, market price of our common stock, results of operations, financial condition and cash flows.

We may be adversely impacted by changes in taxation requirements.

We are subject to income tax in local, national and international jurisdictions. In addition, our products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions. Fluctuations in tax rates and duties and changes in tax legislation or regulation could have a material adverse effect on our results of operations, financial condition and cash flows.

We may be adversely impacted by certain compliance or legal matters.

We along with our third-party business partners are subject to complex compliance and litigation risks. Actions filed against our Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities, anti-corruption and other claims, including purported class action lawsuits. Difficulty can exist in complying with sometimes conflicting regulations in local, national or foreign jurisdictions as well as new or changing regulations that affect how we operate. In addition, we may be impacted by litigation trends, including class action lawsuits involving consumers and shareholders that could have a material adverse effect on our reputation, market price of our common stock, results of operations, financial condition and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The following table provides the location, use and size of our distribution, corporate and product development facilities as of January 28, 2012:

Location	Use	Approximate Square Footage
Columbus, Ohio	Corporate, distribution and shipping	6,388,000
Montreal, Quebec, Canada	Office, distribution and shipping	452,000
New York, New York	Office, sourcing and product development/design	479,000
Kettering, Ohio	Call center	94,000
Hong Kong	Office and sourcing	80,000
Rio Rancho, New Mexico	Call center	75,000
Various foreign locations	Office and sourcing	74,000

United States

Our business for both the Victoria's Secret and Bath & Body Works segments is principally conducted from office, distribution and shipping facilities located in the Columbus, Ohio area. Additional facilities are located in New York, New York; Kettering, Ohio; and Rio Rancho, New Mexico.

Our distribution and shipping facilities consist of seven buildings located in the Columbus, Ohio area. These buildings, including attached office space, comprise approximately 6.4 million square feet.

As of January 28, 2012, we operate 2,623 retail stores located in leased facilities, primarily in malls and shopping centers, throughout the U.S. A substantial portion of these lease commitments consists of store leases generally with an initial term of ten years. The leases expire at various dates between 2012 and 2026.

Typically, when space is leased for a retail store in a mall or shopping center, we supply all improvements, including interior walls, floors, ceilings, fixtures and decorations. The cost of improvements varies widely, depending on the design, size and location of the store. In certain cases, the landlord of the property may provide an allowance to fund all or a portion of the cost of improvements, serving as a lease incentive. Rental terms for new locations usually include a fixed minimum rent plus a percentage of sales in excess of a specified amount. We usually pay certain operating costs such as common area maintenance, utilities, insurance and taxes. For additional information, see Note 16 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

International

Canada

We own and lease office, distribution and shipping facilities in the Montreal, Quebec area. Additional leased office facilities are located in Toronto, Ontario.

Our distribution and shipping facilities consist of two buildings located in the Montreal, Quebec area. These buildings, including attached office space, comprise approximately 387,000 square feet. Additionally, we lease additional office facilities in the Montreal area comprised of approximately 65,000 square feet. During the fourth quarter of 2011, we initiated a restructuring program designed to relocate a substantial portion of its Canadian home office from Montreal to Columbus, Ohio. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

As of January 28, 2012, we operate 318 retail stores located in leased facilities, primarily in malls and shopping centers, throughout the Canadian provinces. A substantial portion of these lease commitments consists of store leases generally with an initial term of ten years. The leases expire on various dates between 2012 and 2023.

Other International

As of January 28, 2012, we also have global representation through the following:

- 349 independently owned La Senza stores operated under licensing arrangements in 30 countries;
- 18 independently owned Bath & Body Works stores operated by a franchisee in 6 Middle Eastern countries; and

- 57 independently owned Victoria's Secret Beauty and Accessories stores as well as various duty free locations in 39 countries.

We also operate sourcing-related office facilities in various foreign locations.

ITEM 3. LEGAL PROCEEDINGS.

We are a defendant in a variety of lawsuits arising in the ordinary course of business. Actions filed against our Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. Although it is not possible to predict with certainty the eventual outcome of any litigation, in the opinion of management, our current legal proceedings are not expected to have a material adverse effect on our financial position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock ("LTD") is traded on the New York Stock Exchange. As of January 28, 2012, there were approximately 46,000 shareholders of record. However, including active associates who participate in our stock purchase plan, associates who own shares through our sponsored retirement plans and others holding shares in broker accounts under street names, we estimate the shareholder base to be approximately 179,000.

The following table provides our quarterly market prices and cash dividends per share for 2011 and 2010:

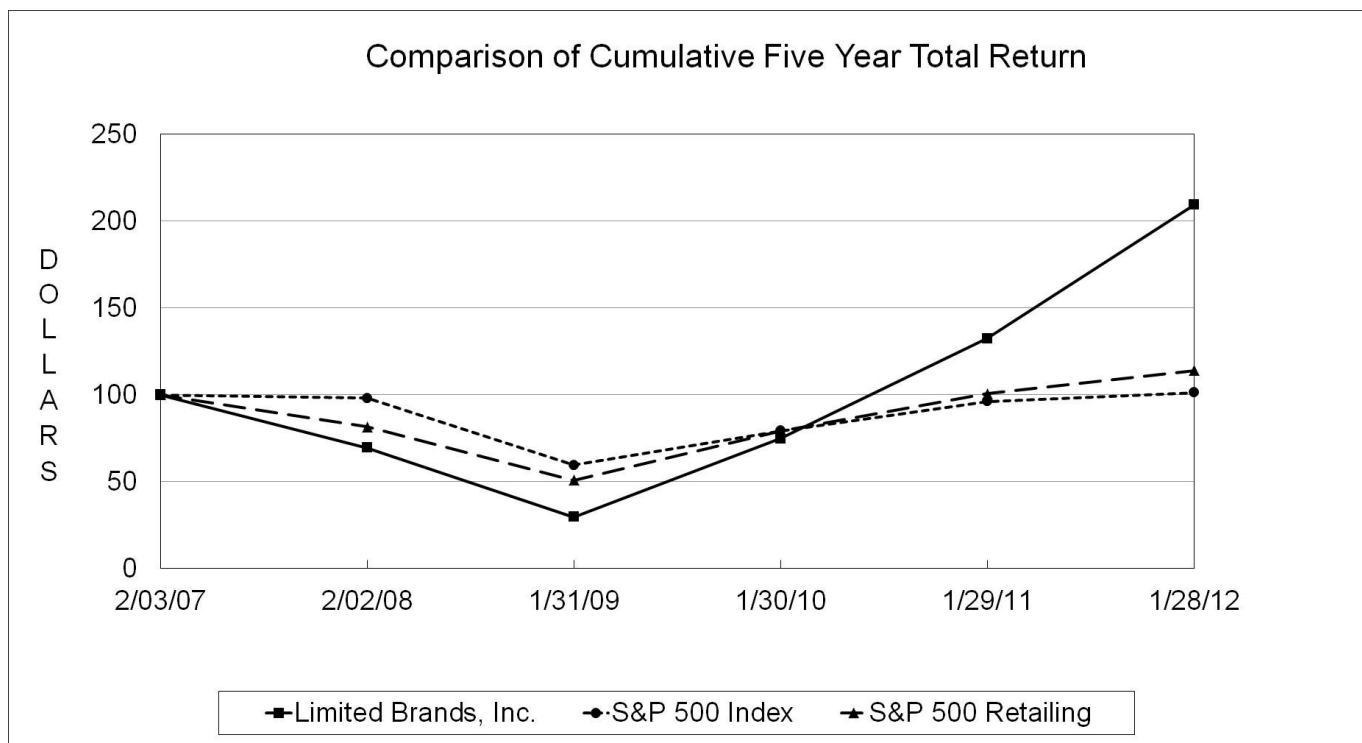
	Market Price		Cash Dividend per Share
	High	Low	
<u>2011</u>			
Fourth quarter	\$ 44.46	\$ 37.57	\$ 2.20 (a)
Third quarter	45.45	31.43	0.20
Second quarter	42.75	35.08	1.20 (b)
First quarter	41.48	28.64	0.20 (c)
<u>2010</u>			
Fourth quarter	\$ 35.48	\$ 28.05	\$ 3.15 (d)
Third quarter	29.95	23.57	0.15
Second quarter	28.19	21.78	0.15
First quarter	28.78	19.12	1.15 (e)

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- (a) In December 2011, our Board of Directors declared a special dividend of \$2 per share which was distributed on December 23, 2011 to shareholders of record at the close of business on December 12, 2011.
- (b) In May 2011, our Board of Directors declared a special dividend of \$1 per share which was distributed on July 1, 2011 to shareholders of record at the close of business on June 17, 2011.
- (c) In January 2011, our Board of Directors declared an increase in our quarterly common stock dividend from \$0.15 to \$0.20 per share.
- (d) In November 2010, our Board of Directors declared a special dividend of \$3 per share which was distributed on December 21, 2010 to shareholders of record at the close of business on December 7, 2010.
- (e) In March 2010, our Board of Directors declared a special dividend of \$1 per share which was distributed on April 19, 2010 to shareholders of record at the close of business on April 5, 2010.

In February 2012, our Board of Directors declared an increase in our first quarter 2012 common stock dividend from \$0.20 to \$0.25 per share. The dividend was paid on March 9, 2012 to shareholders of record at the close of business on February 24, 2012 and included the \$0.05 per share increase.

The following graph shows the changes, over the past five-year period, in the value of \$100 invested in our common stock, the Standard & Poor's 500 Composite Stock Price Index and the Standard & Poor's 500 Retail Composite Index. The plotted points represent the closing price on the last day of the fiscal year indicated.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN (a) (b) (c)
AMONG LIMITED BRANDS, INC., THE S&P 500 INDEX AND THE S&P RETAIL COMPOSITE INDEX**



- (a) This table represents \$100 invested in stock or in index at the closing price on February 3, 2007 including reinvestment of dividends.
- (b) The January 28, 2012 cumulative total return includes the \$1.00 and \$2.00 special dividends in May 2011 and December 2011, respectively.
- (c) The January 29, 2011 cumulative total return includes the \$1.00 and \$3.00 special dividends in March 2010 and December 2010, respectively.

The following table provides our repurchases of our common stock during the fourth quarter of 2011:

Period	Total Number of Shares Purchased(a) (in thousands)	Average Price Paid per Share(b)	Total Number of Shares Purchased as Part of Publicly Announced Programs(c) (in thousands)	Maximum Number of Shares (or Approximate Dollar Value) that May Yet be Purchased Under the Programs(c)
November 2011	1,414	\$ 41.84	1,392	\$ 223,932
December 2011	936	40.23	920	186,976
January 2012	570	40.31	562	164,309
Total	2,920	41.03	2,874	

- (a) The total number of shares repurchased includes shares repurchased as part of publicly announced programs, with the remainder relating to shares repurchased in connection with tax payments due upon vesting of employee restricted stock awards and the use of our stock to pay the exercise price on employee stock options.
- (b) The average price paid per share includes any broker commissions.
- (c) For additional share repurchase program information, see Note 19 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

ITEM 6. SELECTED FINANCIAL DATA.

	Fiscal Year Ended				
	January 28, 2012	January 29, 2011	January 30, 2010	January 31, 2009	February 2, 2008
	(in millions)				
Summary of Operations					
Net Sales	\$ 10,364	\$ 9,613	\$ 8,632	\$ 9,043	\$ 10,134
Gross Profit	4,057	3,631	3,028	3,006	3,509
Operating Income (a)	1,238	1,284	868	589	1,110
Net Income (b)	850	805	448	220	718
	(as a percentage of net sales)				
Gross Profit	39.1%	37.8%	35.1%	33.2%	34.6%
Operating Income	11.9%	13.4%	10.1%	6.5%	11.0%
Net Income	8.2%	8.4%	5.2%	2.4%	6.9%
Per Share Results					
Net Income Per Basic Share	\$ 2.80	\$ 2.49	\$ 1.39	\$ 0.66	\$ 1.91
Net Income Per Diluted Share	\$ 2.70	\$ 2.42	\$ 1.37	\$ 0.65	\$ 1.89
Dividends per Share	\$ 3.80	\$ 4.60	\$ 0.60	\$ 0.60	\$ 0.60
Weighted Average Diluted Shares Outstanding (in millions)	314	333	327	337	380
Other Financial Information					
	(in millions)				
Cash and Cash Equivalents	\$ 935	\$ 1,130	\$ 1,804	\$ 1,173	\$ 1,018
Total Assets	6,108	6,451	7,173	6,972	7,437
Working Capital	842	1,088	1,928	1,612	1,545
Net Cash Provided by Operating Activities	1,266	1,284	1,174	954	765
Capital Expenditures	426	274	202	479	749
Long-term Debt	3,481	2,507	2,723	2,897	2,905
Other Long-term Liabilities	780	761	731	732	709
Shareholders' Equity	137	1,476	2,183	1,874	2,219
Return on Average Shareholders' Equity	105%	44%	22%	11%	28%
Comparable Store Sales Increase (Decrease) (c)	10%	9%	(4)%	(9)%	(2)%
Return on Average Assets	14%	12%	6%	3%	10%
Current Ratio	1.6	1.7	2.5	2.3	2.1
Stores and Associates at End of Year					
Number of Stores (d)	2,941	2,968	2,971	3,014	2,926
Selling Square Feet (in thousands) (d)	10,934	10,974	10,934	10,898	10,310
Number of Associates	97,000	96,500	92,100	90,900	97,500

- (a) Operating income includes the effect of the following items:
- (i) In 2011, a \$232 million impairment charge related to goodwill and other intangible assets for our La Senza business; a \$111 million gain related to the divestiture of 51% of our third-party apparel sourcing business; \$163 million of expense related to the charitable contribution of our remaining shares of Express, Inc. to the Limited Brands Foundation; and \$24 million of restructuring expenses at La Senza.
 - (ii) In 2009, a \$9 million pre-tax gain, \$14 million net of related tax benefits, associated with the reversal of an accrued contractual liability as a result of the divestiture of a joint venture.

- (iii) In 2008, a \$215 million impairment charge related to goodwill and other intangible assets for our La Senza business; a \$128 million gain related to the divestiture of a personal care joint venture; \$23 million of expense related to restructuring activities; and a \$19 million impairment charge related to a joint venture.
- (iv) In 2007, a \$302 million gain related to the divestiture of Express; a \$72 million loss related to the divestiture of Limited Stores; \$48 million related to initial recognition of income for unredeemed gift cards at Victoria's Secret; \$53 million of expense related to various restructuring activities; and \$37 million of gains related to asset sales.

For additional information on 2011, 2010 and 2009 items, see the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

- (b) In addition to the items previously discussed in (a), net income includes the effect of the following items:
 - (i) In 2011, a \$147 million gain related to the charitable contribution of our remaining shares of Express, Inc. to the Limited Brands Foundation; an \$86 million gain related to the sale of Express, Inc. common stock; and \$56 million of favorable income tax benefits related to certain discrete tax matters.
 - (ii) In 2010, a \$52 million gain related to the initial public offering of Express including the sale of a portion of our shares; a \$49 million pre-tax gain related to a \$57 million cash distribution from Express; a \$45 million pre-tax gain related to the sale of Express stock; a \$25 million pre-tax loss associated with the early retirement of portions of our 2012 and 2014 notes; a \$20 million pre-tax gain associated with the sale of our remaining 25% ownership interest in Limited Stores; and a \$7 million pre-tax gain related to a dividend payment from Express.
 - (iii) In 2009, \$23 million of favorable income tax benefits in the fourth quarter primarily related to the reorganization of certain foreign subsidiaries and \$9 million of favorable income tax benefits in the third quarter primarily due to the resolution of certain tax matters.
 - (iv) In 2008, \$15 million of favorable tax benefits in the fourth quarter primarily related to certain discrete foreign and state income tax items and a \$13 million pre-tax gain related to a cash distribution from Express.
 - (v) In 2007, a \$100 million pre-tax gain related to a cash distribution from Easton Town Center, LLC; a \$17 million pre-tax gain related to an interest rate hedge; and \$67 million of favorable tax benefits primarily relating to: 1) the reversal of state net operating loss carryforward valuation allowances and other favorable tax benefits associated with the Apparel divestitures; 2) a decline in the Canadian federal tax rate; 3) audit settlements and 4) other items.

For additional information on 2011, 2010 and 2009 items, see the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

The effect of the items described in (a) and (b) above increased (decreased) earnings per share by \$0.10 in 2011, \$0.36 in 2010, \$0.14 in 2009, \$(0.40) in 2008 and \$0.68 in 2007.

- (c) A store is typically included in the calculation of comparable store sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store.
- (d) Number of stores and selling square feet excludes independently owned La Senza, Bath & Body Works and Victoria's Secret stores operated by licensees and franchisees.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as codified in the Accounting Standards Codification ("ASC"). The following information should be read in conjunction with our financial statements and the related notes included in Item 8. Financial Statements and Supplementary Data.

Our operating results are generally impacted by changes in the U.S. and Canadian economies and, therefore, we monitor the retail environment using, among other things, certain key industry performance indicators such as the University of Michigan Consumer Sentiment Index (which measures consumers' views on the future course of the U.S. economy), the National Retail Traffic Index (which measures traffic levels in malls nationwide) and National Retail Sales (which reflects sales volumes of 5,000 businesses as measured by the U.S. Census Bureau). These indices provide insight into consumer spending patterns and shopping behavior in the current retail environment and assist us in assessing our performance as well as the potential impact of

industry trends on our future operating results. Additionally, we evaluate a number of key performance indicators including comparable store sales, gross profit, operating income and other performance metrics such as sales per average selling square foot and inventory per selling square foot in assessing our performance.

Executive Overview

Strategy

Our strategy supports our mission to build a family of the world's best fashion retail brands offering captivating customer experiences that drive long-term loyalty.

To execute our strategy, we are focused on these key strategic imperatives:

- Grow and maximize profitability of our core brands in current channels and geographies;
- Extend our core brands into new channels and geographies;
- Incubate and grow new brands in current channels;
- Build enabling infrastructure and capabilities;
- Become the top destination for talent; and
- Optimize our capital structure.

The following is a discussion of certain of these key strategic imperatives:

Grow and maximize profitability of our core brands in current channels and geographies

The core of Victoria's Secret is bras and panties. We see clear opportunities for substantial growth in these categories by focusing on product newness and innovation and expanding into under-penetrated market and price segments. In our direct channel, we have the infrastructure in place to support growth well into the future. We believe our direct channel is an important form of brand advertising given the ubiquitous nature of the internet and our large customer file.

The core of Bath & Body Works is its home fragrance and personal care product lines including shower gels, lotions and antibacterial soaps which together make up the majority of sales and profits for the business. Additionally, www.BathandBodyWorks.com continues to exhibit year-over-year growth.

We have a multi-year goal to substantially increase operating margins for our brands through increased sales productivity, merchandise margin expansion and expense control. With regard to merchandise margin expansion, we actively manage our inventory to minimize the level of promotional activity and we will continue to work with our merchandise vendors on innovation, quality, speed and cost. Additionally, we have made a concerted effort to manage home office headcount and overhead expenses. Finally, we have and will continue to optimize our marketing expense by concentrating our expenditures on efficient and return-generating programs. In 2011, we made significant progress towards improving our operating income rate.

Extend our core brands into new channels and geographies

We began our international expansion with the acquisition of La Senza at the beginning of 2007. Since 2008, we have opened 69 Bath & Body Works stores, 11 Victoria's Secret full assortment stores and 8 Victoria's Secret Pink stores in Canada. Based on the success we have experienced in Canada, we plan to open an additional 3 Bath & Body Works stores, 5 Victoria's Secret stores and 2 Victoria's Secret Pink stores in Canada in 2012.

We continue to expand our presence outside of North America. In 2011, we accomplished the following:

- Victoria's Secret Beauty and Accessories Stores (formerly Victoria's Secret Travel and Tourism Stores)—Our partners opened 40 additional Victoria's Secret Beauty and Accessories stores bringing the total to 57. These stores are principally located in airports and tourist destinations. These stores are focused on Victoria's Secret branded beauty and accessory products and are operated by partners under a franchise or wholesale model. Our partners plan to open an additional 75 Victoria's Secret Beauty and Accessories stores in 2012.
- Bath & Body Works Franchise Stores—Our partners opened 12 Bath & Body Works stores in the Middle East in 2011 bringing the total to 18. Our partners plan to open approximately 32 additional stores in 2012.
- Victoria's Secret Full Assortment Stores—We announced plans to open a company-owned Victoria's Secret full assortment store on the corner of New Bond Street and Brook Street in London in 2012 as well as a company-owned mall-based store in London. Additionally, a partner plans to open a total of 3 stores in Dubai and Kuwait City in 2012.

- La Senza Franchise Stores—Our partners opened 49 additional La Senza stores and plan to open a total of approximately 45 new La Senza stores globally in 2012.

Incubate and grow new brands in current channels

Our most successful brands have either been conceived or incubated within Limited Brands, including Victoria's Secret and Bath & Body Works. We are constantly experimenting with new ideas and our current efforts include standalone Victoria's Secret Pink and VSX stores and Henri Bendel stores focused on accessories. In 2011, we accomplished the following:

- Victoria's Secret Pink Stores—We have opened 2 Victoria's Secret Pink stores in the United States in 2011 bringing the total to 15. We plan to open approximately 20 additional stores in 2012.
- Victoria's Secret VSX Stores—We have opened 1 Victoria's Secret VSX store in the United States in 2011 bringing the total to 2.
- Henri Bendel—We have opened 8 Henri Bendel stores in the United States in 2011 bringing the total to 19. We plan to open approximately 10 additional stores in 2012.

Build enabling infrastructure and capabilities

Over the past five years, we have opened a new Direct to Consumer distribution center, launched new merchandise planning systems, new supply chain management systems, new financial and other support systems and a new point-of-sale system in our stores. We are using these capabilities to be able to more productively react to current market conditions, improve inventory accuracy, turnover and in-stock levels and deliver more targeted assortments at the store level. In 2012, we plan to continue to roll out new point-of-sale systems to our stores, continue to build new cross-channel functionality at Victoria's Secret and invest in international support systems.

2011 Overview

Our net sales increased \$751 million to \$10.364 billion driven by a comparable store sales increase of 10%. Our operating income decreased \$46 million to \$1.238 billion including \$308 million of special items. For additional information on the special items, see the "Adjusted Financial Information" table below. Excluding these special items, we had record performance in 2011 as our adjusted operating income increased \$262 million to \$1.546 billion driven by the strength of our assortments and store selling efforts, coupled with continued disciplined inventory and expense management.

For additional information related to our 2011 financial performance, see "Results of Operations – 2011 Compared to 2010."

During 2011, we continued to focus on conservative management and retail fundamentals including:

- Inventory levels— Our inventory ended 2011 down 3% compared to 2010 and our inventory per selling square foot ended 2011 flat compared to 2010.
- Capital expenditures—Our capital expenditures of \$426 million included \$281 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.
- Cash and liquidity—We generated cash flow from operations of \$1.266 billion in 2011 and ended the year with \$935 million in cash.

We also accomplished the following in terms of the execution of our business strategy in 2011:

- Significantly improved adjusted operating income and adjusted operating income rate driven primarily by the increase in net sales and related expense leverage;
- At Victoria's Secret, sales increased 11% and operating income increased 22%;
- At Bath & Body Works, sales increased 6% and operating income increased 11%;
- Returned over \$2.3 billion to our shareholders through special dividends, share repurchases and our ongoing regular dividends. In January 2012, our Board of Directors approved an increase in our first quarter 2012 common stock dividend from \$0.20 to \$0.25 per share;
- Continued expansion of company-owned Bath & Body Works and Victoria's Secret stores into Canada;
- Continued expansion of Bath & Body Works stores in the Middle East with a franchise partner;
- Continued expansion of Victoria's Secret Beauty and Accessories stores throughout the world;
- Divested 51% of our third-party apparel sourcing business for pre-tax cash proceeds of \$124 million; and
- Continued repositioning of the La Senza brand. During the fourth quarter of 2011, we initiated a restructuring program designed to resize a portion of La Senza's store fleet and relocate its home office from Montreal, Canada to Columbus,

Ohio. We recognized a pre-tax charge consisting of contract termination costs, severance and other costs of \$24 million in the fourth quarter of 2011.

Adjusted Financial Information

In addition to our results provided in accordance with GAAP above and throughout this Form 10-K, we have provided non-GAAP measurements which present operating income, net income and earnings per share in 2011, 2010 and 2009 on an adjusted basis which removes certain special items. We believe that these special items are not indicative of our ongoing operations due to their size and nature. We use adjusted financial information as key performance measures of results of operations for the purpose of evaluating performance internally. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Instead, we believe that the presentation of adjusted financial information provides additional information to investors to facilitate the comparison of past and present operations. Further, our definition of adjusted financial information may differ from similarly titled measures used by other companies. The table below reconciles the GAAP financial measures to the non-GAAP financial measures. For additional information regarding the special items, see the footnotes to the table in Item 6. Selected Financial Data.

	2011	2010	2009
<u>Detail of Special Items included in Operating Income - Income (Expense)</u>			
La Senza Goodwill and Intangible Asset Impairment Charges	\$ (232)	\$ —	\$ —
Expense related to Contribution of Express Common Stock to The Limited Brands Foundation	(163)	—	—
Gain on Divestiture of Third-party Apparel Sourcing Business	111	—	—
La Senza Restructuring Charges	(24)	—	—
Gain on Divestiture of Joint Venture	—	—	9
Total Special Items included in Operating Income	<u>\$ (308)</u>	<u>\$ —</u>	<u>\$ 9</u>
<u>Detail of Special Items included in Other Income - Income (Expense)</u>			
Gain on Sale of Express Common Stock	\$ 86	\$ 45	\$ —
Gain on Contribution of Express Common Stock to The Limited Brands Foundation	147	—	—
Gain on Express Initial Public Offering	—	52	—
Gain on Distributions from Express	—	49	—
Gain on Sale of Limited Stores Ownership Interest	—	20	—
Loss on Extinguishment of Debt	—	(25)	—
Gain on Express Dividend	—	7	—
Total Special Items included in Other Income	<u>\$ 233</u>	<u>\$ 148</u>	<u>\$ —</u>
<u>Detail of Special Items included in Provision for Income Taxes - Benefit (Provision)</u>			
Tax effect of Special Items included in Operating Income	\$ 83	\$ —	\$ 5
Tax effect of Special Items included in Other Income	(31)	(27)	—
Tax benefit related to favorable resolution of certain discrete income tax matters	56	—	32
Total Special Items included in Provision for Income Taxes	<u>\$ 108</u>	<u>\$ (27)</u>	<u>\$ 37</u>
<u>Reconciliation of Reported Operating Income to Adjusted Operating Income</u>			
Reported Operating Income	\$ 1,238	\$ 1,284	\$ 868
Special Items included in Operating Income	308	—	(9)
Adjusted Operating Income	<u>\$ 1,546</u>	<u>\$ 1,284</u>	<u>\$ 859</u>
<u>Reconciliation of Reported Net Income to Adjusted Net Income</u>			
Reported Net Income	\$ 850	\$ 805	\$ 448
Special Items included in Net Income	(33)	(121)	(46)
Adjusted Net Income	<u>\$ 817</u>	<u>\$ 684</u>	<u>\$ 402</u>
<u>Reconciliation of Reported Earnings Per Share to Adjusted Earnings Per Share</u>			
Reported Earnings Per Share	\$ 2.70	\$ 2.42	\$ 1.37
Special Items included in Earnings Per Share	(0.10)	(0.36)	(0.14)
Adjusted Earnings Per Share	<u>\$ 2.60</u>	<u>\$ 2.06</u>	<u>\$ 1.23</u>

2012 Outlook

The global retail sector and our business continue to face an uncertain environment and, as a result, we continue to take a conservative stance in terms of the financial management of our business. We will continue to manage our business carefully and we will focus on the execution of the retail fundamentals.

At the same time, we are aggressively focusing on bringing compelling merchandise assortments, marketing and store experiences to our customers. We will look for, and capitalize on, those opportunities available to us in this uncertain environment. We believe that our brands, which lead their categories and offer high emotional content at accessible prices, are well positioned heading into 2012.

Company-Owned Store Data

The following table compares 2011 company-owned store data to the comparable periods for 2010 and 2009:

				% Change	
	2011	2010	2009	2011	2010
<u>Sales per Average Selling Square Foot</u>					
Victoria's Secret Stores (a)	\$ 754	\$ 663	\$ 581	14%	14%
Bath & Body Works (a)	658	620	587	6%	6%
La Senza (b)	409	397	420	3%	(5)%
<u>Sales per Average Store (in thousands)</u>					
Victoria's Secret Stores (a)	\$ 4,463	\$ 3,886	\$ 3,356	15%	16%
Bath & Body Works (a)	1,561	1,468	1,393	6%	5%
La Senza (b)	1,362	1,333	1,335	2%	— %
<u>Average Store Size (selling square feet)</u>					
Victoria's Secret Stores (a)	5,941	5,892	5,830	1%	1%
Bath & Body Works (a)	2,374	2,369	2,370	—%	— %
La Senza	3,312	3,343	3,366	(1)%	(1)%
<u>Total Selling Square Feet (in thousands)</u>					
Victoria's Secret Stores (a)	6,042	6,057	6,063	— %	— %
Bath & Body Works (a)	3,768	3,805	3,856	(1)%	(1)%
La Senza	762	843	869	(10)%	(3)%

(a) Metric relates to company-owned stores in the U.S.

(b) Metric is presented in Canadian dollars to eliminate the impact of foreign currency fluctuations.

The following table compares 2011 company-owned store data to the comparable periods for 2010 and 2009:

Number of Stores (a)	2011	2010	2009
Victoria's Secret U.S.			
Beginning of Period	1,028	1,040	1,043
Opened	8	6	13
Closed	(19)	(18)	(16)
End of Period	<u>1,017</u>	<u>1,028</u>	<u>1,040</u>
Bath & Body Works U.S.			
Beginning of Period	1,606	1,627	1,638
Opened	6	2	9
Closed	(25)	(23)	(20)
End of Period	<u>1,587</u>	<u>1,606</u>	<u>1,627</u>
La Senza			
Beginning of Period	252	258	322
Opened	—	—	2
Closed (b)	(22)	(6)	(66)
End of Period	<u>230</u>	<u>252</u>	<u>258</u>
Bath & Body Works Canada			
Beginning of Period	59	31	6
Opened	10	28	25
Closed	—	—	—
End of Period	<u>69</u>	<u>59</u>	<u>31</u>
Victoria's Secret Canada			
Beginning of Period	12	4	—
Opened	8	8	4
Closed	(1)	—	—
End of Period	<u>19</u>	<u>12</u>	<u>4</u>
Henri Bendel			
Beginning of Period	11	11	5
Opened	8	—	6
Closed	—	—	—
End of Period	<u>19</u>	<u>11</u>	<u>11</u>
Total			
Beginning of Period	2,968	2,971	3,014
Opened	40	44	59
Closed	(67)	(47)	(102)
End of Period	<u>2,941</u>	<u>2,968</u>	<u>2,971</u>

- (a) Number of stores excludes independently owned La Senza, Bath & Body Works and Victoria's Secret stores operated by licensees and franchisees.
- (b) In 2009, we closed 53 La Senza Girl stores.

Segment Reporting Change

In the fourth quarter of 2011, we ceased aggregating La Senza with Victoria's Secret. While this reporting change did not impact our consolidated results, segment data for previous years has been recast to be consistent with the current year presentation throughout the financial statements and the accompanying notes.

Results of Operations—2011 Compared to 2010

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for 2011 in comparison to 2010:

			Operating Income Rate	
	2011	2010	2011	2010
	(in millions)			
Victoria's Secret	\$ 1,081	\$ 889	17.7%	16.1%
Bath & Body Works	513	464	19.2%	18.4%
Other (a) (b) (c) (d) (e)	(356)	(69)	(22.7)%	(4.3)%
Total	\$ 1,238	\$ 1,284	11.9%	13.4%

- (a) Includes Corporate, Mast Global, Henri Bendel and our international operations including La Senza. In the fourth quarter of 2011, we divested 51% of our third-party apparel sourcing business. As such, results of this business are only included through the first three quarters of 2011. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.
- (b) 2011 includes a \$232 million impairment of goodwill, trade name and a lease-related intangible asset at La Senza. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.
- (c) 2011 includes \$163 million of expense associated with the charitable contribution of shares of Express, Inc. to The Limited Brands Foundation. For additional information, see Note 9 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.
- (d) 2011 includes an \$111 million gain associated with the divestiture of the third-party apparel sourcing business. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.
- (e) 2011 includes \$24 million of expense at associated with the restructuring at La Senza. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

For 2011, operating income decreased \$46 million to \$1.238 billion and the operating income rate decreased to 11.9% from 13.4%. Our 2011 operating income includes the impact of \$308 million in special items. For additional information, see "Adjusted Financial Information". Excluding these special items, our adjusted operating income increased \$262 million to \$1.546 billion and the operating income rate increased to 14.9% from 13.4%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for 2011 in comparison to 2010:

	2011	2010	% Change
	(in millions)		
Victoria's Secret Stores	\$ 4,564	\$ 4,018	14%
Victoria's Secret Direct	1,557	1,502	4%
Total Victoria's Secret	6,121	5,520	11%
Bath & Body Works	2,674	2,515	6%
Other (a)	1,569	1,578	(1)%
Total Net Sales	\$ 10,364	\$ 9,613	8%

- (a) Includes Corporate, Mast Global, Henri Bendel and our international operations including La Senza. In the fourth quarter of 2011, we divested 51% of our third-party apparel sourcing business. As such, results of this business are only included through the first three quarters of 2011. Fourth quarter 2010 sales for the third-party apparel sourcing business were \$235 million. For additional information, See Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

The following tables provide a reconciliation of net sales for 2010 to 2011:

	Victoria's Secret	Bath & Body Works	Other	Total
	(in millions)			
2010 Net Sales	\$ 5,520	\$ 2,515	\$ 1,578	\$ 9,613
Comparable Store Sales	521	132	(18)	635
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	25	(14)	126	137
Foreign Currency Translation	—	—	20	20
Direct Channels	55	41	—	96
Mast Global Third-party Sales and Other	—	—	(137)	(137)
2011 Net Sales	<u>\$ 6,121</u>	<u>\$ 2,674</u>	<u>\$ 1,569</u>	<u>\$ 10,364</u>

The following table compares 2011 comparable store sales to 2010:

	2011	2010
Victoria's Secret	14%	14%
Bath & Body Works	6%	5%
Total Comparable Store Sales (a)	<u>10%</u>	<u>9%</u>

(a) Includes La Senza, Bath & Body Works Canada, Victoria's Secret Canada and Henri Bendel.

For 2011, our net sales increased \$751 million to \$10.364 billion and comparable store sales increased 10%. The increase in our net sales was primarily a result of:

Victoria's Secret

For 2011, net sales increased \$601 million to \$6.121 billion and comparable store sales increased 14%. The net sales result was primarily driven by:

- At Victoria's Secret Stores, net sales increased across most categories including Pink, core lingerie, beauty and loungewear driven by a compelling merchandise assortment that incorporated newness, innovation and fashion as well as in-store execution; and
- At Victoria's Secret Direct, net sales increased 4% with increases across most categories including Pink, swimwear, core lingerie and apparel driven by a compelling merchandise assortment.

The increase in comparable store sales was driven by an increase in total transactions and higher average dollar sales.

Bath & Body Works

For 2011, net sales increased \$159 million to \$2.674 billion and comparable store sales increased 6%. From a merchandise category perspective, net sales were driven by growth in the Signature Collection, home fragrance and antibacterial categories partially offset by a decrease in our giftset business. The increase in comparable store sales was driven by an increase in total transactions and a slight increase in average dollar sales.

Other

For 2011, net sales decreased \$9 million to \$1.569 billion primarily related to the divestiture of the third-party apparel sourcing business in the fourth quarter of 2011. This decrease was partially offset by new Victoria's Secret and Bath & Body Works stores in Canada, revenue from our international wholesale and franchise business and favorable currency fluctuations related to our Canadian businesses.

Gross Profit

For 2011, our gross profit increased \$426 million to \$4.057 billion and our gross profit rate (expressed as a percentage of net sales) increased to 39.1% from 37.8% primarily as a result of:

Victoria's Secret

For 2011, the gross profit increase was primarily driven by:

- At Victoria's Secret Stores, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales. The increase in merchandise margin was partially offset by an increase in buying and occupancy expenses primarily driven by higher net sales and store related activity; and
- At Victoria's Secret Direct, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales. In addition, buying and occupancy expenses decreased primarily due to lower catalogue and fulfillment costs.

The gross profit rate increase was driven primarily by leverage on buying and occupancy expenses from the increase in net sales partially offset by a decrease in the merchandise margin rate due to increased product costs and promotional activity.

Bath & Body Works

For 2011, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales. The increase in merchandise margin dollars was partially offset by an increase in buying and occupancy expenses driven by higher occupancy costs related to the increase in net sales and store related activity. The gross profit rate was flat driven by a decrease in the merchandise margin rate offset by leverage on buying and occupancy expense.

Other

For 2011, the gross profit increase was primarily driven by net sales increases in our Canadian Victoria's Secret and Bath & Body Works stores, increases in Mast Global sales as well as revenue increases from our international wholesale and franchise business. These increases were partially offset by decline in gross profit at La Senza driven by promotional activities and restructuring charges. The gross profit rate increased due to the divestiture of our third-party apparel sourcing business.

General, Administrative and Store Operating Expenses

For 2011, our general, administrative and store operating expenses increased \$357 million to \$2.698 billion primarily driven by \$163 million of expense associated with the charitable contribution to The Limited Brands Foundation. Additionally, store selling and marketing expenses increased related to the increase in net sales, partially offset by a decrease in incentive compensation.

The general, administrative and store operating expense rate increased to 26.0% from 24.4% due to the charitable contribution to The Limited Brands Foundation.

Impairment of Goodwill and Other Intangible Assets

In the fourth quarter of 2011, we recognized charges totaling \$232 million related to the impairment of goodwill, trade name, and a lease-related intangible asset at La Senza. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2011 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

In the fourth quarter of 2010, we recognized charges totaling \$6 million related to the impairment of a sub-brand trade name at Victoria's Secret. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2010 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Divestiture of Third-party Apparel Sourcing Business

In the fourth quarter of 2011, we recognized a pre-tax gain of \$111 million associated with the divestiture of 51% of our ownership interest in our third-party apparel sourcing business for pre-tax cash proceeds of \$124 million. The proceeds are included in Proceeds from Divestiture of Third-party Apparel Sourcing Business within the Investing Activities section on the 2011 Consolidated Statement of Cash Flows. The pre-tax gain is included in Gain on Divestiture of Third-party Apparel Sourcing Business on the 2011 Consolidated Statement of Income. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Other Income and Expenses

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for 2011 and 2010:

	2011	2010
Average daily borrowings (in millions)	\$ 3,401	\$ 2,602
Average borrowing rate (in percentages)	6.6%	7.0%

For 2011, our interest expense increased \$38 million to \$246 million. The increase was primarily driven by an increase in average borrowings related to the March 2011 \$1 billion note issuance partially offset by decrease in the average borrowing rate.

Other Income

For 2011, our other income increased \$60 million to \$235 million primarily due to a \$147 million gain related to the charitable contribution of our remaining shares of Express, Inc. to The Limited Brands Foundation completed in July 2011 and an \$86 million gain related to the sale of a portion of our shares of Express, Inc. completed in April 2011. These 2011 items are partially offset by the following 2010 items:

- a \$52 million gain related to the initial public offering of Express including the sale of a portion of our shares;
- a \$49 million gain related to a \$57 million cash distribution from Express;
- a \$45 million gain related to the sale of Express stock;
- a \$20 million gain related to the divestiture of our remaining 25% ownership in Limited Stores;
- a \$25 million loss on the extinguishment of debt; and
- a \$7 million gain related to a dividend payment from Express.

Provision for Income Taxes

For 2011, our effective tax rate decreased to 30.7% from 35.6%. The 2011 rate was lower than our combined estimated federal and state statutory rate of 39.0% primarily due to the tax benefit associated with our charitable contribution of Express shares to The Limited Brands Foundation as well as the nontaxable foreign portion of the divestiture of our third-party apparel sourcing business. The 2010 rate was lower than our combined estimated federal and state statutory rate of 38.5% primarily due to the divestiture of our remaining 25% ownership in Limited Stores, which resulted in the recognition of the capital loss associated with the 2007 divestiture of 75% of our ownership in Limited Stores.

Results of Operations—Fourth Quarter of 2011 Compared to Fourth Quarter of 2010

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for the fourth quarter of 2011 in comparison to the fourth quarter of 2010:

	Fourth Quarter		Operating Income Rate	
	2011	2010	2011	2010
	(in millions)			
Victoria's Secret	\$ 447	\$ 398	21.4%	21.0%
Bath & Body Works	348	330	30.9%	30.5%
Other (a) (b) (c) (d)	(154)	(14)	(51.8)%	(3.0)%
Total	\$ 641	\$ 714	18.2%	20.6%

- (a) Includes Corporate, Mast Global, Henri Bendel and our international operations including La Senza. In the fourth quarter of 2011, we divested 51% of our third-party apparel sourcing business. As such, results of this business are only included through the first three quarters of 2011. For additional information, See Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.
- (b) 2011 includes a \$232 million impairment of goodwill, the trade name, and a lease-related intangible asset at La Senza. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

- (c) 2011 includes a \$111 million gain associated with the divestiture of the third-party apparel sourcing business. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.
- (d) 2011 includes \$24 million of expense associated with the restructuring of our La Senza business. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

For the fourth quarter of 2011, operating income decreased \$73 million to \$641 million and the operating income rate decreased to 18.2% from 20.6%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for the fourth quarter of 2011 in comparison to the fourth quarter of 2010:

Fourth Quarter	2011	2010	% Change
	(in millions)		
Victoria's Secret Stores	\$ 1,572	\$ 1,393	13%
Victoria's Secret Direct	518	503	3%
Total Victoria's Secret	2,090	1,896	10%
Bath & Body Works	1,127	1,081	4%
Other (a)	298	479	(38)%
Total Net Sales	\$ 3,515	\$ 3,456	2%

- (a) Includes Corporate, Mast Global, Henri Bendel and our international operations including La Senza. In the fourth quarter of 2011, we divested 51% of our third-party apparel sourcing business. As such, results of this business are only included through the first three quarters of 2011. Fourth quarter 2010 sales for the third-party apparel sourcing business were \$235 million. For additional information, See Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

The following table provides a reconciliation of net sales for the fourth quarter of 2010 to the fourth quarter of 2011:

Fourth Quarter	Victoria's Secret	Bath & Body Works	Other	Total
	(in millions)			
2010 Net Sales	\$ 1,896	\$ 1,081	\$ 479	\$ 3,456
Comparable Store Sales	163	33	(7)	189
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	16	—	41	57
Foreign Currency Translation	—	—	(3)	(3)
Direct Channels	15	13	—	28
Mast Global Third-party Sales and Other	—	—	(212)	(212)
2011 Net Sales	\$ 2,090	\$ 1,127	\$ 298	\$ 3,515

The following table compares fourth quarter of 2011 comparable store sales to fourth quarter of 2010:

Fourth Quarter	2011	2010
Victoria's Secret Stores	12%	15%
Bath & Body Works	3%	6%
Total Comparable Store Sales (a)	7%	10%

- (a) Includes La Senza, Bath & Body Works Canada, Victoria's Secret Canada and Henri Bendel.

For the fourth quarter of 2011, our net sales increased \$59 million to \$3.515 billion and comparable store sales increased 7%. The increase in our net sales was primarily as a result of:

Victoria's Secret

For the fourth quarter of 2011, net sales increased \$194 million to \$2.090 billion and comparable store sales increased 12%. The increase in net sales was primarily driven by:

- At Victoria's Secret Stores, net sales increased across most categories, including Pink, core lingerie, loungewear and beauty driven by a compelling merchandise assortment that incorporated newness, innovation and fashion as well as in-store execution; and
- At Victoria's Secret Direct, net sales increased 3% related to increases in Pink, apparel, and core lingerie.

The increase in comparable store sales was primarily driven by an increase in total transactions and higher average dollar sales at Victoria's Secret Stores.

Bath & Body Works

For the fourth quarter of 2011, net sales increased \$46 million to \$1.127 billion and comparable store sales increased 3%. From a merchandise category perspective, net sales were driven by growth in the Signature Collection, home fragrance and antibacterial categories which all incorporated newness and innovation, partially offset by a decline in our giftset business. The increase in comparable store sales was driven by an increase in total transactions partially offset by our slightly lower average dollar sales.

Other

For the fourth quarter of 2011, net sales decreased \$181 million to \$298 million primarily related to the divestiture of the third-party apparel sourcing business in the fourth quarter of 2011. This decrease was partially offset by new Victoria's Secret and Bath & Body Works stores in Canada and revenue from our international wholesale and franchise business.

Gross Profit

For the fourth quarter of 2011, our gross profit increased \$83 million to \$1.528 billion and our gross profit rate (expressed as a percentage of net sales) increased to 43.5% from 41.8% primarily as a result of:

Victoria's Secret

For the fourth quarter of 2011, gross profit increased primarily driven by:

- At Victoria's Secret Stores, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales. The increase in merchandise margin dollars was partially offset by higher buying and occupancy expenses driven by higher net sales and store related activity; and
- At Victoria's Secret Direct, gross profit was flat as the decrease in merchandise margin dollars driven by increased product costs and promotional activity was offset by a decrease in buying and occupancy expense.

The gross profit rate was flat driven primarily by leverage on buying and occupancy expenses from the increase in net sales offset by a decrease in the merchandise margin rate from increased product costs and promotional activity.

Bath & Body Works

For the fourth quarter of 2011, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales.

The gross profit rate decreased driven by a decrease in the merchandise margin rate related to increased product costs and promotional activity partially offset by a decrease in buying and occupancy expense rate due to leverage associated with higher sales.

Other

For the fourth quarter of 2011, the gross profit decrease was primarily driven by the restructuring charges at La Senza and the divestiture of the third-party apparel sourcing business partially offset by net sales increases in our Canadian Victoria's Secret and Bath & Body Works stores as well as revenue increases from our international wholesale and franchise business. The gross profit rate increased due to the divestiture of the third-party apparel sourcing business in the fourth quarter of 2011 which removed lower margin sales.

General, Administrative and Store Operating Expenses

For the fourth quarter of 2011, our general, administrative and store operating expenses increased \$40 million to \$765 million primarily driven by an increase in store selling expenses and \$7 million in restructuring charges related to our La Senza business.

The general, administrative and store operating expense rate increased to 21.8% from 21.0% due to the factors cited above.

Impairment of Goodwill and Other Intangible Assets

In the fourth quarter of 2011, we recognized charges totaling \$232 million related to the impairment of goodwill, the trade name and a lease-related intangible asset at La Senza. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2011 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

In the fourth quarter of 2010, we recognized charges totaling \$6 million related to the impairment of a sub-brand trade name at Victoria's Secret. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2010 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Gain on Divestiture of Third-party Apparel Sourcing Business

In the fourth quarter of 2011, we recognized a pre-tax gain of \$111 million associated with the divestiture of 51% of our ownership interest in our third-party apparel sourcing business for pre-tax cash proceeds of \$124 million. The proceeds are included in Proceeds from Divestiture of Third-party Apparel Sourcing Business within the Investing Activities section on the 2011 Consolidated Statement of Cash Flows. The pre-tax gain is included in Gain on Divestiture of Third-party Apparel Sourcing Business on the 2011 Consolidated Statement of Income. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2011 and 2010:

Fourth Quarter	2011	2010
Average daily borrowings (in millions)	\$ 3,556	\$ 2,560
Average borrowing rate (in percentages)	6.8%	7.1%

For the fourth quarter of 2011, our interest expense increased \$15 million to \$63 million primarily driven by an increase in average borrowings related to the March 2011 \$1 billion note issuance, partially offset by a decrease in the average borrowing rate.

Other Income

For the fourth quarter of 2011, our other income decreased \$51 million to \$2 million. The decrease was primarily driven by a \$45 million gain related to the sale of Express common stock in 2010 and a \$7 million gain related to a dividend payment from Express in 2010.

Provision for Income Taxes

For the fourth quarter of 2011, our effective tax rate increased to 38.0% from 37.0%. The 2011 rate was lower than our combined estimated federal and state statutory rate of 39.0% primarily due to the tax benefit associated with the nontaxable foreign portion of the divestiture of our third-party apparel sourcing business. The 2010 rate was lower than our combined estimated federal and state statutory rate of 38.5% primarily due to the resolution of certain tax matters.

Results of Operations—2010 Compared to 2009

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for 2010 in comparison to 2009:

			Operating Income Rate	
	2010	2009	2010	2009
	(in millions)			
Victoria's Secret	\$ 888	\$ 579	16.1%	11.8%
Bath & Body Works	464	358	18.4%	15.0%
Other (a) (b)	(68)	(69)	(4.3)%	(5.0)%
Total	\$ 1,284	\$ 868	13.4%	10.1%

- (a) Includes Corporate, Mast Global, Henri Bendel and our international operations including La Senza. See "Segment Reporting Change".
- (b) 2009 includes a \$9 million gain associated with the reversal of an accrued contractual liability. For additional information, see Note 9 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

For 2010, operating income increased \$416 million to \$1.284 billion and the operating income rate increased to 13.4% from 10.1%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for 2010 in comparison to 2009:

	2010	2009	% Change
	(in millions)		
Victoria's Secret Stores	\$ 4,018	\$ 3,496	15%
Victoria's Secret Direct	1,502	1,388	8%
Total Victoria's Secret	5,520	4,884	13%
Bath & Body Works	2,515	2,383	6%
Other (a)	1,578	1,365	16%
Total Net Sales	\$ 9,613	\$ 8,632	11%

- (a) Includes Corporate, Mast Global, Henri Bendel and our international operations including La Senza. See "Segment Reporting Change".

The following tables provide a reconciliation of net sales for 2009 to 2010:

	Victoria's Secret	Bath & Body Works	Other	Total
	(in millions)			
2009 Net Sales	\$ 4,884	\$ 2,383	\$ 1,365	\$ 8,632
Comparable Store Sales	453	105	(8)	550
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	69	(6)	51	114
Foreign Currency Translation	—	—	41	41
Direct Channels	114	33	—	147
Mast Global Third-party Sales and Other	—	—	129	129
2010 Net Sales	\$ 5,520	\$ 2,515	\$ 1,578	\$ 9,613

The following table compares 2010 comparable store sales to 2009:

	2010	2009
Victoria's Secret	14%	(6)%
Bath & Body Works	5%	(1)%
Total Comparable Store Sales (a)	9%	(4)%

(a) Includes La Senza, Bath & Body Works Canada, Victoria's Secret Canada and Henri Bendel.

For 2010, our net sales increased \$981 million to \$9.613 billion and comparable store sales increased 9%. The increase in our net sales was primarily a result of:

Victoria's Secret

For 2010, net sales increased \$636 million to \$5.520 billion and comparable store sales increased 14%. The net sales result was primarily driven by:

- At Victoria's Secret Stores, net sales increased across most categories including Pink, core lingerie and beauty driven by a compelling merchandise assortment that incorporated newness, innovation and fashion; and
- At Victoria's Secret Direct, net sales increased 8% with increases across most categories, including intimates and swimwear driven by a compelling merchandise assortment.

The increase in comparable store sales was driven by an increase in total transactions and higher average dollar sales.

Bath & Body Works

For 2010, net sales increased \$132 million to \$2.515 billion and comparable store sales increased 5%. From a merchandise category perspective, net sales were driven by growth in the Signature Collection (including the re-launch of the men's line), home fragrance and antibacterial categories which all incorporated newness and innovation. The increase in comparable store sales was driven by an increase in total transactions and higher average dollar sales.

Other

For 2010, net sales increased \$213 million to \$1.578 billion related to new Bath & Body Works stores in Canada, the introduction of Victoria's Secret stores in Canada, revenue from our international wholesale and franchise business and an increase in third-party sales at Mast Global. In addition, Mast Global recognized 100% of merchandise sourcing sales to Express and Limited Stores in the third and fourth quarters of 2010. For additional information, see Note 9 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data. The increase in net sales was partially offset by a decrease in net sales at La Senza due to the closure of the La Senza Girl freestanding stores, a decline in the La Senza International business due to exiting the La Senza Girl concept as well as decreases in the sales of sleepwear and beauty in our Canadian stores.

Gross Profit

For 2010, our gross profit increased \$603 million to \$3.631 billion and our gross profit rate (expressed as a percentage of net sales) increased to 37.8% from 35.1% primarily as a result of:

Victoria's Secret

For 2010, gross profit increased at Victoria's Secret Stores and Victoria's Secret Direct driven by higher merchandise margin dollars as a result of the increase in net sales and decreased promotional activity.

The increase in the gross profit rate was driven primarily by an increase in the merchandise margin rate due to the factors cited above. In addition, the buying and occupancy expense rate decreased due to leverage associated with higher net sales.

Bath & Body Works

For 2010, gross profit increased primarily driven by higher merchandise margin dollars due to an increase in net sales and a decrease in cost of goods sold due to cost reductions.

The increase in the gross profit rate was driven by increases in the merchandise margin rate due to the factors cited above.

Other

For 2010, gross profit increased primarily driven by higher merchandise margin dollars primarily related to the expansion of our Canadian Bath & Body Works and Victoria's Secret stores. The gross profit rate decreased due to an increase in lower margin Mast Global third-party sales, including the impact of recognizing 100% of Mast Global's sales to Express and Limited Stores in the third and fourth quarters of 2010. For additional information, see Note 9 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

General, Administrative and Store Operating Expenses

For 2010, our general, administrative and store operating expenses increased \$175 million to \$2.341 billion primarily driven by:

- an increase in store selling expenses, which includes costs related to new stores in Canada;
- higher payroll including incentive compensation costs;
- higher stock compensation costs due to a lower forfeiture rate as a result of lower associate turnover; and
- an increase in marketing expenses.

The general, administrative and store operating expense rate decreased to 24.3% from 25.1% due to leverage associated with higher net sales.

Impairment of Goodwill and Other Intangible Assets

In the fourth quarter of 2010, we recognized charges totaling \$6 million related to the impairment of a sub-brand trade name at Victoria's Secret. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2010 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

In the fourth quarter of 2009, we recognized charges totaling \$3 million related to the impairment of the La Senza Girl trade name and other minor trade names. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2009 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Net Gain on Joint Ventures

In July 2009, we recognized a pre-tax gain of \$9 million (\$14 million net of related tax benefits) associated with the reversal of an accrued contractual liability as a result of the divestiture of a joint venture. The pre-tax gain is included in Net Gain on Joint Ventures on the 2009 Consolidated Statement of Income.

Other Income and Expenses

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for 2010 and 2009:

	2010	2009
Average daily borrowings (in millions)	\$ 2,602	\$ 2,982
Average borrowing rate (in percentages)	7.0%	6.7%

For 2010, our interest expense decreased \$29 million to \$208 million. The decrease was primarily driven by a decrease in average borrowings, partially offset by the increase in average borrowing rates. For 2010, our interest expense included \$10 million of expense associated with terminating our remaining participating interest rate swap arrangements. For 2009, our interest expense included \$10 million in fees which were expensed associated with the amendment of our Revolving Facility and Term Loan and \$8 million of expense associated with terminating certain participating interest rate swap arrangements.

Other Income

For 2010, our other income increased \$156 million to \$173 million primarily due to:

- a \$52 million gain related to the initial public offering of Express including the sale of a portion of our shares;
- a \$49 million gain related to a \$57 million cash distribution from Express;

- a \$45 million gain related to the sale of Express stock;
- a \$20 million gain related to the divestiture of our remaining 25% ownership in Limited Stores;
- a \$7 million gain related to a dividend payment from Express; and
- higher income from our equity investments in Express and Limited Stores.

Partially offset by:

- a \$25 million loss on extinguishment of a portion of our 2012 and 2014 Notes.

Provision for Income Taxes

For 2010, our effective tax rate increased to 35.6% from 31.1%. The 2010 rate was lower than our combined estimated federal and state statutory rate of 38.5% primarily due to the divestiture of our remaining 25% ownership in Limited Stores, which resulted in the recognition of the capital loss associated with the 2007 divestiture of 75% of our ownership in Limited Stores. The 2009 rate was lower than our combined estimated federal and state statutory rate primarily due to the reversal of deferred tax liabilities on unremitted foreign earnings due to international restructuring and the resolution of certain tax matters in 2009.

Results of Operations—Fourth Quarter of 2010 Compared to Fourth Quarter of 2009

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for the fourth quarter of 2010 in comparison to the fourth quarter of 2009:

	Fourth Quarter		Operating Income Rate	
	2010	2009	2010	2009
	(in millions)			
Victoria's Secret	\$ 398	\$ 318	21.0%	19.1%
Bath & Body Works	330	294	30.5%	29.2%
Other (a)	(14)	(26)	(3.0)%	(6.8)%
Total	\$ 714	\$ 586	20.6%	19.1%

(a) Includes Corporate, Mast Global, Henri Bendel and our international operations including La Senza. See "Segment Reporting Change".

For the fourth quarter of 2010, operating income increased \$128 million to \$714 million and the operating income rate increased to 20.6% from 19.1%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for the fourth quarter of 2010 in comparison to the fourth quarter of 2009:

Fourth Quarter	2010	2009	% Change
	(in millions)		
Victoria's Secret Stores	\$ 1,393	\$ 1,201	16%
Victoria's Secret Direct	503	463	9%
Total Victoria's Secret	1,896	1,664	14%
Bath & Body Works	1,081	1,008	7%
Other (a)	479	391	23%
Total Net Sales	\$ 3,456	\$ 3,063	13%

(a) Includes Corporate, Mast Global, Henri Bendel and our international operations including La Senza. See "Segment Reporting Change".

The following table provides a reconciliation of net sales for the fourth quarter of 2009 to the fourth quarter of 2010:

Fourth Quarter	Victoria's Secret	Bath & Body Works	Other	Total
	(in millions)			
2009 Net Sales	\$ 1,664	\$ 1,008	\$ 391	\$ 3,063
Comparable Store Sales	173	53	(6)	220
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	18	3	30	51
Foreign Currency Translation	—	—	9	9
Direct Channels	41	17	—	58
Mast Global Third-party Sales and Other	—	—	55	55
2010 Net Sales	<u>\$ 1,896</u>	<u>\$ 1,081</u>	<u>\$ 479</u>	<u>\$ 3,456</u>

The following table compares fourth quarter of 2010 comparable store sales to fourth quarter of 2009:

Fourth Quarter	2010	2009
Victoria's Secret	15%	—%
Bath & Body Works	6%	2%
Total Comparable Store Sales (a)	<u>10%</u>	<u>1%</u>

(a) Includes La Senza, Bath & Body Works Canada, Victoria's Secret Canada and Henri Bendel.

For the fourth quarter of 2010, our net sales increased \$393 million to \$3.456 billion and comparable store sales increased 10%. The increase in our net sales was primarily as a result of:

Victoria's Secret

For the fourth quarter of 2010, net sales increased \$232 million to \$1.896 billion and comparable store sales increased 15%. The increase in net sales was primarily driven by:

- At Victoria's Secret Stores, net sales increased across most categories, including Pink, core lingerie and beauty driven by a compelling merchandise assortment that incorporated newness, innovation and fashion; and
- At Victoria's Secret Direct, net sales increased 9% with increases across most categories, including intimates and swimwear, driven by a compelling merchandise assortment. This was partially offset by a decrease in apparel.

The increase in comparable store sales was driven by an increase in total transactions and higher average dollar sales.

Bath & Body Works

For the fourth quarter of 2010, net sales increased \$73 million to \$1.081 billion and comparable store sales increased 6%. From a merchandise category perspective, net sales were driven by the Signature Collection (including the re-launch of the men's line), home fragrance and antibacterial categories which all incorporated newness and innovation.

The increase in comparable store sales was driven by an increase in total transactions and higher average dollar sales.

Other

For the fourth quarter of 2010, net sales increased \$88 million to \$479 million primarily related to new Bath & Body Works stores in Canada, the introduction of Victoria's Secret stores in Canada, revenue from our international wholesale and franchise business and an increase in third-party sales at Mast Global. In addition, Mast Global recognized 100% of merchandise sourcing sales to Express and Limited Stores in the fall season of 2010. For additional information, see Note 9 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data. The increase in net sales was partially offset by a decrease in net sales at La Senza due to declines in the sleepwear and beauty categories and the closure of the La Senza Girl freestanding stores.

Gross Profit

For the fourth quarter of 2010, our gross profit increased \$196 million to \$1.445 billion and our gross profit rate (expressed as a percentage of net sales) increased to 41.8% from 40.8% primarily as a result of:

Victoria's Secret

For the fourth quarter of 2010, gross profit increased primarily driven by:

- At Victoria's Secret Stores, gross profit increased driven by higher merchandise margin dollars as a result of the increase in net sales and decreased promotional activity. The increase in merchandise margin dollars was slightly offset by an increase in buying and occupancy expenses primarily related to increased occupancy costs driven by higher net sales; and
- At Victoria's Secret Direct, gross profit increased driven by higher merchandise margin dollars as a result of an increase in net sales and a decrease in promotional activity.

The increase in the gross profit rate was driven primarily by the decrease in the buying and occupancy expense rate due to leverage associated with higher net sales as well as an increase in the merchandise margin rate due the factors cited above.

Bath & Body Works

For the fourth quarter of 2010, gross profit increased primarily driven by higher merchandise margin dollars as a result of an increase in net sales and a decrease in cost of goods sold due to cost reductions. Buying and occupancy expenses increased driven by higher occupancy and direct fulfillment costs, primarily due to the increase in net sales.

The increase in the gross profit rate was driven by an increase in the merchandise margin rate, partially offset by an increase in the buying and occupancy expense rate due to the factors cited above.

Other

For the fourth quarter of 2010, gross profit increased primarily driven by the expansion of our Canadian Bath & Body Works and Victoria's Secret stores. The gross profit rate decreased due to an increase in lower margin Mast Global third-party sales, including the impact of recognizing 100% of Mast Global's sales to Express and Limited Stores in the fourth quarter. For additional information, see Note 9 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

General, Administrative and Store Operating Expenses

For the fourth quarter of 2010, our general, administrative and store operating expenses increased \$65 million to \$725 million primarily driven by:

- an increase in store selling expenses, which includes costs related to new stores in Canada;
- higher stock compensation costs due to a lower forfeiture rate as a result of lower associate turnover; and
- an increase in marketing expenses.

The general, administrative and store operating expense rate decreased to 21.0% from 21.5% due to leverage associated with higher net sales.

Impairment of Goodwill and Other Intangible Assets

In the fourth quarter of 2010, we recognized charges totaling \$6 million related to the impairment of a sub-brand trade name at Victoria's Secret. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2010 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

In the fourth quarter of 2009, we recognized charges totaling \$3 million related to the impairment of the La Senza Girl trade name and other minor trade names. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2009 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2010 and 2009:

Fourth Quarter	2010	2009
Average daily borrowings (in millions)	\$ 2,560	\$ 2,857
Average borrowing rate (in percentages)	7.1%	6.8%

For the fourth quarter of 2010, our interest expense decreased \$13 million to \$48 million. The decrease was primarily driven by \$8 million of expense in 2009 associated with terminating a portion of our participating interest rate swap arrangements as well as a decrease in average borrowings, partially offset by an increase in average borrowing rates.

Other Income

For the fourth quarter of 2010, our other income increased \$42 million to \$53 million. The increase was primarily driven by a \$45 million gain related to the sale of Express common stock and a \$7 million gain related to a dividend payment from Express. The increase in other income was partially offset by ceasing recognition of equity method income from Express beginning in the third quarter of 2010 as a result of the change in accounting from the equity method to the cost method. We also ceased recognizing equity method income from Limited Stores beginning in the second quarter of 2010 in conjunction with the divestiture of our remaining ownership interest.

Provision for Income Taxes

For the fourth quarter of 2010, our effective tax rate increased to 37.0% from 33.6%. The 2010 rate was lower than our combined estimated federal and state statutory rate of 38.5% primarily due to the resolution of certain tax matters. The 2009 rate was lower than our combined estimated federal and state statutory rate primarily due to the reversal of deferred tax liabilities on unremitted foreign earnings due to international restructuring in 2009.

FINANCIAL CONDITION

Liquidity and Capital Resources

Liquidity, or access to cash, is an important factor in determining our financial stability. We are committed to maintaining adequate liquidity. Cash generated from our operating activities provides the primary resources to support current operations, growth initiatives, seasonal funding requirements and capital expenditures. Our cash provided from operations is impacted by our net income and working capital changes. Our net income is impacted by, among other things, sales volume, seasonal sales patterns, success of new product introductions and profit margins. Historically, sales are higher during the fourth quarter of the fiscal year due to seasonal and holiday-related sales patterns. Generally, our need for working capital peaks during the summer and fall months as inventory builds in anticipation of the holiday period.

Our total cash and cash equivalents held by foreign subsidiaries were \$561 million as of January 28, 2012. Under current tax laws and regulations, if cash and cash equivalents held outside the U.S. are repatriated to the U.S., in certain circumstances we may be subject to additional U.S. income taxes and foreign withholding taxes.

The following table provides our long-term debt balance as of January 28, 2012 and January 29, 2011:

	January 28, 2012	January 29, 2011
	(in millions)	
<u>Senior Unsecured Debt with Subsidiary Guarantee</u>		
\$1 billion, 6.625% Fixed Interest Rate Notes due April 2021 (“2021 Notes”)	1,000	—
\$500 million, 8.50% Fixed Interest Rate Notes due June 2019, Less Unamortized Discount (“2019 Notes”)	488	486
\$400 million, 7.00% Fixed Interest Rate Notes due May 2020 (“2020 Notes”)	400	400
Total Senior Unsecured Debt with Subsidiary Guarantee	1,888	886
<u>Senior Unsecured Debt</u>		
\$700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount (“2017 Notes”) (a)	724	699
\$350 million, 6.95% Fixed Interest Rate Debentures due March 2033, Less Unamortized Discount (“2033 Notes”)	350	350
\$300 million, 7.60% Fixed Interest Rate Notes due July 2037, Less Unamortized Discount (“2037 Notes”)	299	299
5.25% Fixed Interest Rate Notes due November 2014, Less Unamortized Discount (“2014 Notes”) (b)	220	215
6.125% Fixed Interest Rate Notes due December 2012, Less Unamortized Discount (“2012 Notes”) (c)	57	58
Total Senior Unsecured Debt	1,650	1,621
Total	3,538	2,507
Current Portion of Long-term Debt (c)	(57)	—
Total Long-term Debt, Net of Current Portion	3,481	2,507

- (a) The balances include a fair value interest rate hedge adjustment which increased the debt balance by \$25 million as of January 28, 2012 and \$0 million as of January 29, 2011.
- (b) The principal balance outstanding was \$213 million as of both January 28, 2012 and January 29, 2011. The balances include a fair value interest rate hedge adjustment which increased the debt balance by \$7 million as of January 28, 2012 and \$2 million as of January 29, 2011.
- (c) The principal balance outstanding was \$57 million as of both January 28, 2012 and January 29, 2011. The balances include a fair value interest rate hedge adjustment which increased the debt balance by \$0 million as of January 28, 2012 and \$1 million as of January 29, 2011.

Issuance of Notes

In May 2010, we issued \$400 million of 7.00% notes due in May 2020 utilizing an existing shelf registration under which up to \$1 billion of debt securities, common and preferred stock and other securities can be issued. The 2020 Notes are jointly and severally guaranteed on a full and unconditional basis by the guarantors. The net proceeds from the issuance were \$390 million, which included transaction costs of \$10 million.

In March 2011, we issued \$1 billion of 6.625% notes due in April 2021 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2021 Notes are jointly and severally guaranteed on a full and unconditional basis by the guarantors. The net proceeds from the issuance were \$981 million, which included transaction costs of \$19 million.

Subsequent to January 28, 2012, we issued \$1 billion of 5.625% notes due in February 2022 (“2022 Notes”) utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities could be issued. The 2022 Notes are jointly and severally guaranteed on a full and unconditional basis by the guarantors. The net proceeds from the issuance were \$985 million, which included transaction costs of \$15 million.

Repurchase of Notes

In May 2010, we used a portion of the proceeds from the 2020 Notes to repurchase \$134 million of our 2012 Notes for \$144 million. We used the remaining portion of the proceeds from the 2020 Notes to repurchase \$266 million of the 2014 Notes for \$277 million.

In August 2010, we repurchased \$20 million and \$1 million of 2014 Notes and 2012 Notes, respectively, through open-market transactions.

Revolving Facility

On July 15, 2011, we entered into an amendment and restatement (“Amendment”) of our secured revolving credit facility (“Revolving Facility”). The Amendment increased the aggregate amount of the commitments of the lenders under the Revolving Facility from \$800 million to \$1 billion and extended the termination date from August 1, 2014 to July 15, 2016. In addition, the Amendment reduced fees payable under the Revolving Facility which are based on our long-term credit ratings. The fees related to committed and unutilized amounts per year were reduced from 0.50% to 0.325% per annum and the fees related to outstanding letters of credit were reduced from 3.00% to 1.75% per annum. In addition, the interest rate on outstanding borrowings was reduced from the London Interbank Offered Rate (“LIBOR”) plus 3.00% to LIBOR plus 1.75%.

We incurred fees related to the Amendment of the Revolving Facility of \$7 million, which were capitalized and are being amortized over the remaining term of the Revolving Facility.

The Revolving Facility contains fixed charge coverage and debt to EBITDA financial covenants. We are required to maintain a fixed charge coverage ratio of not less than 1.75 to 1.00 and a consolidated debt to consolidated EBITDA ratio not exceeding 4.00 to 1.00 for the most recent four-quarter period. In addition, the Revolving Facility provides that investments and restricted payments may be made, without limitation on amount, if (a) at the time of and after giving effect to such investment or restricted payment the ratio of consolidated debt to consolidated EBITDA for the most recent four-quarter period is less than 3.00 to 1.00 and (b) no default or event of default exists. As of January 28, 2012, we were in compliance with both of our financial covenants and the ratio of consolidated debt to consolidated EBITDA was less than 3.00 to 1.00.

As of January 28, 2012, there were no borrowings outstanding under the Revolving Facility.

Letters of Credit

The Revolving Facility supports our letter of credit program. We had \$13 million of outstanding letters of credit as of January 28, 2012 that reduce our remaining availability under our amended credit agreements.

Fair Value Interest Rate Swap Arrangements

We have the following interest rate swap arrangements related to certain of our outstanding debt:

	Notional Amount	
	January 28, 2012	January 29, 2011
	(in millions)	
2012 Notes	\$ —	\$ 57
2014 Notes	—	213
2017 Notes	175	325
Total	\$ 175	\$ 595

The interest rate swap arrangements effectively convert the fixed interest rate on the related debt to a variable interest rate based on a LIBOR plus a fixed interest rate.

The swap arrangements are designated as fair value hedges. The changes in the fair value of the interest rate swaps have an equal and offsetting impact to the carrying value of the debt on the balance sheet. The differential to be paid or received on the interest rate swap arrangements is accrued and recognized as an adjustment to interest expense.

In July 2011, we terminated interest rate designated fair value hedges related to the 2012 Notes with a notional amount of \$57 million. In settlement of these hedges, we received \$1 million. In August 2011, we terminated interest rate designated fair value hedges related to the 2014 Notes with a notional amount of \$213 million. In settlement of these hedges, we received \$9 million. In September 2011, we terminated interest rate designated fair value hedges related to the 2017 Notes with a notional amount of \$150 million. In settlement of these hedges, we received \$12 million. The settlement amounts were equal to the fair value adjustment to the respective Notes and are amortized as a reduction to interest expense through the maturity date of the respective Notes.

For information related to our fair value interest rate swap arrangements, see Note 13 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Working Capital and Capitalization

We believe that our available short-term and long-term capital resources are sufficient to fund foreseeable requirements.

The following table provides a summary of our working capital position and capitalization as of January 28, 2012, January 29, 2011 and January 30, 2010:

	January 28, 2012	January 29, 2011	January 30, 2010
	(in millions)		
Cash Provided by Operating Activities	\$ 1,266	\$ 1,284	\$ 1,174
Capital Expenditures	426	274	202
Working Capital	842	1,088	1,928
Capitalization:			
Long-term Debt	3,481	2,507	2,723
Shareholders' Equity	137	1,476	2,183
Total Capitalization	3,618	3,983	4,906
Additional Amounts Under Credit Agreements (a)	1,000	800	1,000
Remaining Amounts Available Under Credit Agreements (a)	987	755	935

- (a) As part of the February 19, 2009 amendment to the Revolving Facility, letters of credit issued subsequent to the amendment reduce our remaining availability under the Revolving Facility. We have outstanding letters of credit that reduce our remaining availability under the Revolving Facility of \$13 million and \$45 million as of January 28, 2012 and January 29, 2011, respectively.

The following table provides certain measures of liquidity and capital resources as of January 28, 2012, January 29, 2011 and January 30, 2010:

	January 28, 2012	January 29, 2011	January 30, 2010
Debt-to-capitalization Ratio (a)	96%	63%	55%
Cash Flow to Capital Investment (b)	297%	468%	581%

- (a) Long-term debt divided by total capitalization
(b) Net cash provided by operating activities divided by capital expenditures

Credit Ratings

The following table provides our credit ratings as of January 28, 2012:

	Moody's	S&P (a)	Fitch
Corporate	Ba1	BB+	BB+
Senior Unsecured Debt with Subsidiary Guarantee	Ba1	BB+	BB+
Senior Unsecured Debt	Ba2	BB+	BB
Outlook	Stable	Stable	Stable

- (a) In February 2012, S&P downgraded our unsecured debt without subsidiary guarantees from BB+ to BB-.

Our borrowing costs under our Revolving Facility are linked to our credit ratings at S&P, Moody's and Fitch. If we receive an upgrade or downgrade to our corporate credit ratings by S&P, Moody's or Fitch, the borrowing costs could decrease or increase, respectively. The guarantees of our obligations under the Revolving Facility by certain of our 100% owned subsidiaries (such subsidiaries, the "Guarantors") and the security interests granted in our and the Guarantors' collateral securing such obligations are released if our credit ratings are higher than a certain level. Additionally, the restrictions imposed under the Revolving Facility on our ability to make investments and to make restricted payments cease to apply if our credit ratings are higher than certain levels. Credit rating downgrades by any of the agencies do not accelerate the repayment of any of our debt.

Common Stock Share Repurchases

Under the authority of our Board of Directors, we repurchased shares of our common stock under the following repurchase programs during the fiscal years 2011, 2010 and 2009:

Repurchase Program	Amount Authorized (in millions)	Shares Repurchased			Amount Repurchased			Average Stock Price of Shares Repurchased within Program
		2011	2010	2009	2011	2010	2009	
		(in thousands)			(in millions)			
November 2011 (a)	\$ 250	2,116	NA	NA	\$ 85	NA	NA	\$ 40.50
May 2011	500	13,293	NA	NA	500	NA	NA	37.59
March 2011	500	13,695	NA	NA	500	NA	NA	36.49
November 2010 (b)	200	3,431	1,907	NA	109	\$ 60	NA	31.68
March 2010 (c)	200	NA	5,714	NA	NA	147	NA	25.69
Total		<u>32,535</u>	<u>7,621</u>		<u>\$ 1,194</u>	<u>\$ 207</u>		

- (a) The November 2011 repurchase program had \$165 million remaining as of January 28, 2012.
- (b) The November 2010 repurchase program had \$31 million remaining at the time it was cancelled in conjunction with the approval of the March 2011 repurchase program.
- (c) The March 2010 repurchase program had \$53 million remaining at the time it was cancelled in conjunction with the approval of the November 2010 repurchase program.
- NA Not applicable

For the November 2011 repurchase program, \$4 million of share repurchases were reflected in Accounts Payable on the 2011 Consolidated Balance Sheet and were settled in February 2012. There were no share repurchases reflected in Accounts Payable as of January 29, 2011.

Subsequent to January 28, 2012, we completed the November 2011 repurchase program by repurchasing an additional 4 million shares of common stock for \$165 million under the program. In addition, our Board of Directors approved a new \$500 million share repurchase program ("February 2012 repurchase program"). The timing and amount of any repurchase will be made in our discretion taking into account a number of factors, including market conditions.

Dividend Policy and Procedures

Under the authority and declaration of our Board of Directors, we paid the following dividends during the fiscal years 2011, 2010 and 2009:

	Ordinary Dividends	Special Dividends (per share)	Total Dividends	Total Paid (in millions)
2011				
Fourth Quarter	\$ 0.20	\$ 2.00	\$ 2.20	\$ 653
Third Quarter	0.20	—	0.20	60
Second Quarter	0.20	1.00	1.20	367
First Quarter	0.20	—	0.20	64
2011 Total	<u>\$ 0.80</u>	<u>\$ 3.00</u>	<u>\$ 3.80</u>	<u>\$ 1,144</u>
2010				
Fourth Quarter	\$ 0.15	\$ 3.00	\$ 3.15	\$ 1,017
Third Quarter	0.15	—	0.15	49
Second Quarter	0.15	—	0.15	49
First Quarter	0.15	1.00	1.15	373
2010 Total	<u>\$ 0.60</u>	<u>\$ 4.00</u>	<u>\$ 4.60</u>	<u>\$ 1,488</u>
2009				
Fourth Quarter	\$ 0.15	\$ —	\$ 0.15	\$ 49
Third Quarter	0.15	—	0.15	48
Second Quarter	0.15	—	0.15	48
First Quarter	0.15	—	0.15	48
2009 Total	<u>\$ 0.60</u>	<u>\$ —</u>	<u>\$ 0.60</u>	<u>\$ 193</u>

Subsequent to January 28, 2012, our Board of Directors declared our first quarter 2012 common stock dividend of \$0.25 per share payable on March 9, 2012 to shareholders of record at the close of business on February 24, 2012. This is a \$0.05 increase from our previous quarterly dividends.

Treasury Share Retirement

In January 2010, we retired 201 million shares of our treasury stock to reduce the related administrative expense. The retirement resulted in a reduction of \$4.641 billion in Treasury Stock, \$101 million in the par value of Common Stock, \$1.545 billion in Paid-in Capital and \$2.995 billion in Retained Earnings.

In December 2011, we retired 39 million shares of our treasury stock to reduce the related administrative expense. The retirement resulted in a reduction of \$1.341 billion in Treasury Stock, \$19 million in the par value of Common Stock, \$286 million in Paid-in Capital and \$1.036 billion in Retained Earnings.

Cash Flow

The following table provides a summary of our cash flow activity for the fiscal years ended January 28, 2012, January 29, 2011 and January 30, 2010:

	2011	2010	2009
		(in millions)	
Cash and Cash Equivalents, Beginning of Year	\$ 1,130	\$ 1,804	\$ 1,173
Net Cash Flows Provided by Operating Activities	1,266	1,284	1,174
Net Cash Flows Used For Investing Activities	(226)	(106)	(162)
Net Cash Flows Used For Financing Activities	(1,237)	(1,857)	(387)
Effect of Exchange Rate Changes on Cash	2	5	6
Net Increase (Decrease) in Cash and Cash Equivalents	(195)	(674)	631
Cash and Cash Equivalents, End of Year	\$ 935	\$ 1,130	\$ 1,804

Operating Activities

Net cash provided by operating activities in 2011 was \$1.266 billion. Net income of \$850 million included depreciation and amortization of \$391 million, impairment of goodwill and other intangible assets for our La Senza business of \$232 million, expense associated with a contribution of our remaining shares of Express, Inc. to The Limited Brands Foundation of \$163 million, a gain related to The Limited Brands Foundation contribution of \$147 million, a gain related to the divestiture of our third-party apparel sourcing business of \$111 million and a pre-tax gain on the sale of Express common stock of \$86 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant items in working capital were the increases in accounts receivable and accounts payable related to the divestiture of our third-party apparel sourcing business.

Net cash provided by operating activities in 2010 was \$1.284 billion. Net income of \$805 million included \$394 million of depreciation and amortization. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant working capital change was a \$112 million increase in operating cash flow associated with an increase in accounts payable and accrued expenses and other.

Net cash provided by operating activities in 2009 was \$1.174 billion. Net income of \$448 million included \$393 million of depreciation and amortization. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant working capital change was a \$156 million increase in operating cash flow associated with a reduction in inventories. Inventory levels decreased compared to 2008 due to a concerted effort to control and reduce inventory levels across the enterprise.

Investing Activities

Net cash used for investing activities in 2011 was \$226 million consisting primarily of \$426 million of capital expenditures partially offset by cash proceeds from the divestiture of our third-party apparel sourcing business and the sale of Express common stock of \$124 million and \$99 million, respectively. The capital expenditures included \$281 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Net cash used for investing activities in 2010 was \$106 million consisting primarily of \$274 million of capital expenditures partially offset by \$73 million of proceeds from the sale of Express common stock, \$49 million of return of capital from Express and \$32 million of proceeds from the divestiture of Limited Stores. The capital expenditures included \$168 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Net cash used for investing activities in 2009 was \$162 million consisting primarily of \$202 million of capital expenditures partially offset by \$32 million of proceeds related to the sale of an asset. The capital expenditures included \$163 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

We anticipate spending approximately \$575 to \$625 million for capital expenditures in 2012 with the majority relating to opening new stores and remodeling and improving existing stores. We expect to open approximately 50 new stores in 2012, primarily in Canada and the U.S.

Financing Activities

Net cash used for financing activities in 2011 was \$1.237 billion consisting primarily of repurchases of common stock of \$1.190 billion and quarterly and special dividends payments aggregating \$3.80 per share, or \$1.144 billion, partially offset by proceeds from the issuance of long-term debt of \$981 million (net of issuance costs) and proceeds from the exercise of stock options of \$75 million.

Net cash used for financing activities in 2010 was \$1.857 billion consisting primarily of quarterly and special dividends payments aggregating \$4.60 per share, or \$1.488 billion, cash payments of \$442 million to repurchase portions of our 2012 and 2014 Notes, cash payments of \$207 million related to the repurchase of 8 million shares of common stock during the year at a weighted-average price of \$27.21 under our 2010 share repurchase programs, prepayment of the remaining \$200 million of our Term Loan in March 2010 and proceeds from the exercise of stock options of \$88 million. These were partially offset by the net proceeds of \$390 million from the issuance of \$400 million of 2020 Notes.

Net cash used for financing activities in 2009 was \$387 million consisting primarily of the prepayment of \$550 million of our Term Loan, quarterly dividend payments of \$0.15 per share, or \$193 million, cash payments of \$106 million to repurchase 2012 Notes and \$19 million of costs related to the amendment of our Revolving Facility and Term Loan in February 2009. These were partially offset by the net proceeds of \$473 million from the issuance of \$500 million of 2019 Notes.

Contingent Liabilities and Contractual Obligations

The following table provides our contractual obligations, aggregated by type, including the maturity profile as of January 28, 2012:

	Payments Due by Period					
	Total	Less Than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Other
	(in millions)					
Long-term Debt (a)	\$ 6,114	\$ 304	\$ 700	\$ 465	\$ 4,645	\$ —
Operating Leases Obligations (b)	3,120	493	897	710	1,020	—
Purchase Obligations (c)	1,193	1,130	53	5	5	—
Other Liabilities (d)	418	109	17	7	—	285
Total	\$ 10,845	\$ 2,036	\$ 1,667	\$ 1,187	\$ 5,670	\$ 285

- (a) Long-term debt obligations relate to our principal and interest payments for outstanding notes and debentures. Interest payments have been estimated based on the coupon rate for fixed rate obligations. Interest obligations exclude amounts which have been accrued through January 28, 2012. Subsequent to January 28, 2012, we issued \$1 billion of 5.625% notes due in February 2022. For additional information, see Note 12 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
- (b) Operating lease obligations primarily represent minimum payments due under store lease agreements. For additional information, see Note 16 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
- (c) Purchase obligations primarily include purchase orders for merchandise inventory and other agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.
- (d) Other liabilities primarily includes future payments relating to our nonqualified supplemental retirement plan of \$214 million which have been reflected under “Other” as the timing of these future payments is not known until an associate leaves the Company or otherwise requests an in-service distribution. In addition, Other Liabilities also includes future estimated payments associated with unrecognized tax benefits. The “Less Than 1 Year” category includes \$96 million of these tax items because it is reasonably possible that the payments could change in the next twelve months due to audit settlements or resolution of uncertainties. The remaining portion totaling \$71 million is included in the “Other” category as the timing and amount of these payments is not known until the matters are resolved with relevant tax authorities. For additional information, see Notes to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

In connection with the disposition of certain businesses, we have remaining guarantees of approximately \$78 million related to lease payments of Express, Limited Stores, Abercrombie & Fitch, Dick’s Sporting Goods (formerly Galyan’s), and New York & Company under the current terms of noncancelable leases expiring at various dates through 2017. These guarantees

include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the businesses. In certain instances, our guarantee may remain in effect if the term of a lease is extended.

The following table details the guaranteed lease payments during the next five fiscal years and the remaining years thereafter:

<u>Fiscal Year (in millions)</u>	
2012	\$ 24
2013	22
2014	16
2015	9
2016	5
Thereafter	2
Total	\$ 78

Our guarantees related to Express, Limited Stores and New York & Company require fair value accounting in accordance with GAAP in effect at the time of these divestitures. The guaranteed lease payments related to Express, Limited Stores and New York & Company totaled \$49 million as of January 28, 2012 and \$65 million as of January 29, 2011. The estimated fair value of these guarantee obligations was \$4 million as of January 28, 2012 and \$6 million as of January 29, 2011, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets. The decrease in the fair value from January 29, 2011 to January 28, 2012 reflects the decrease in the remaining obligation period.

Our guarantees related to Abercrombie & Fitch and Dick's Sporting Goods (formerly Galyan's) are not subject to fair value accounting, but require that a loss be accrued when probable and reasonably estimable based on GAAP in effect at the time of these divestitures. We had no liability recorded with respect to any of the guarantee obligations as we concluded that payments under these guarantees were not probable as of January 28, 2012 and January 29, 2011.

These guarantees are not included within the Contingent Liabilities and Contractual Obligations table.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements as defined by Regulation 229.303 Item 303 (a) (4).

Recently Issued Accounting Pronouncements

Other Comprehensive Income

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") ASU 2011-05, *Presentation of Comprehensive Income*, which amends ASC 220, *Comprehensive Income*. This guidance eliminates the option to present the components of other comprehensive income as a part of the statement of shareholders' equity and requires other comprehensive income to be presented as part of a single continuous statement of comprehensive income or in a statement of other comprehensive income immediately following the statement of income. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income. This guidance is required to be adopted in fiscal year 2012 and must be retrospectively applied to all reporting periods presented. The FASB has permitted early adoption. We adopted this guidance in the fourth quarter of 2011. ASU 2011-05 did not have an impact on our consolidated results of operations, financial position or cash flows.

In December 2011, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05*, which defers the ASU 2011-05 requirement that companies present reclassification adjustments for each component of accumulated other comprehensive income (AOCI) in both net income and other comprehensive income on the face of the financial statements. Companies are still required to present reclassifications out of AOCI on the face of the financial statements or disclose those amounts in the notes to the financial statements. This ASU also defers the requirement to report reclassification adjustments in interim periods. This guidance is required to be adopted in fiscal year 2012, however, early adoption is permitted. We adopted this guidance in the fourth quarter of 2011. ASU 2011-12 did not have an impact on our consolidated results of operations, financial position or cash flows.

Goodwill

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment*, which gives companies testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit in step one

of the goodwill impairment test. If companies determine, based on qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. This guidance will be effective beginning in fiscal year 2012, however, early adoption is permitted. ASU 2011-08 will not have an impact on our consolidated results of operations, financial position or cash flows. We are currently evaluating the provisions of this ASU.

Impact of Inflation

While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on the results of operations and financial condition have been minor.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to adopt accounting policies related to estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management evaluates its accounting policies, estimates and judgments, including those related to inventories, long-lived assets, claims and contingencies, income taxes and revenue recognition. Management bases our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management has discussed the development and selection of our critical accounting policies and estimates with the Audit Committee of our Board of Directors and believes the following assumptions and estimates are most significant to reporting our results of operations and financial position.

Inventories

Inventories are principally valued at the lower of cost or market, on a weighted-average cost basis.

We record valuation adjustments to our inventories if the cost of inventory on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience. If actual demand or market conditions are different than those projected by management, future period merchandise margin rates may be unfavorably or favorably affected by adjustments to these estimates.

We also record inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

Management believes that the assumptions used in these estimates are reasonable and appropriate. A 10% increase or decrease in the inventory valuation adjustment would have impacted net income by approximately \$2 million for 2011. A 10% increase or decrease in the estimated physical inventory loss adjustment would have impacted net income by approximately \$2 million for 2011.

Valuation of Long-lived Assets

Property and equipment and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the estimated undiscounted future cash flows related to the asset are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset. When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life.

Goodwill is reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The impairment review is performed by comparing each reporting unit's carrying value to its estimated fair value, determined through either estimated discounted future cash flows or market-based methodologies. If the carrying value exceeds the estimated fair value, we determine the fair value of all assets and liabilities of the reporting unit, including the implied fair value of goodwill. If the carrying value of goodwill exceeds the implied fair value, we recognize an impairment charge equal to the difference.

Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The impairment review is performed by comparing the carrying value to the estimated fair value, usually determined by the estimated discounted future cash flows of the asset.

We estimate the fair value of property and equipment, goodwill and intangible assets in accordance with the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*. If future economic conditions are different than those projected by management, future impairment charges may be required.

La Senza Goodwill and Other Intangible Assets

In conjunction with the January 2007 acquisition of La Senza, we recorded \$313 million in goodwill and \$170 million in trade name and other intangible assets. As of January 28, 2012, the carrying value of goodwill and trade names for La Senza is \$12 million and \$75 million, respectively. These assets are included in the La Senza reporting unit which is part of the Other segment.

2008

In the latter half of 2008, La Senza was negatively impacted by the global economic downturn and the resulting impact on the Canadian retail environment. As a result, La Senza's operating results deteriorated significantly, particularly when compared to our expectations at the time of acquisition. In the fourth quarter of 2008, we concluded that the goodwill and certain trade name assets related to the La Senza acquisition were impaired and recorded impairment charges of \$189 million and \$26 million related to the goodwill and trade name assets, respectively.

2009

In the fourth quarter of 2009, we concluded that certain trade names would no longer be utilized within the La Senza business. As a result, we recorded an impairment charge of \$3 million. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2009 Consolidated Statement of Income.

2010

No impairment charges were recorded related to La Senza goodwill and intangible assets.

2011

During 2011, La Senza's operating results failed to meet our expectations, as both comparable store sales and gross profit were below our beginning of year expectations especially in the critical fourth quarter holiday period. In the fourth quarter of 2011, we concluded that the goodwill and certain other intangible assets related to La Senza were impaired and recorded impairment charges of \$119 million and \$113 million related to the goodwill and other intangible assets, respectively. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2011 Consolidated Statement of Income.

Impairment Testing—Goodwill

We evaluated La Senza's goodwill by comparing the carrying value of the La Senza reporting unit to the estimated fair value of the reporting unit determined through estimated discounted future cash flows. We corroborated the estimated fair value of the La Senza reporting unit as determined by our discounted cash flow approach by referencing a market-based methodology.

2009 and 2010

Our 2009 and 2010 evaluations indicated that the estimated fair value of the La Senza reporting unit was in excess of the carrying value. As a result, we were not required to calculate the implied value of goodwill and no impairment was recognized.

2011

Based on our 2011 evaluation, the carrying value of the La Senza reporting unit exceeded the estimated fair value. As a result, we measured the goodwill impairment by comparing the carrying value of the reporting unit's goodwill to the implied value of the goodwill based on the estimated fair value of the reporting unit, considering the estimated fair value of all assets and liabilities. As a result of this analysis, we recognized a goodwill impairment charge of \$119 million.

Impairment Testing—Other Intangible Assets

We evaluated the La Senza trade name and other intangible assets by comparing the carrying values to the estimated fair values determined using a relief from royalty and other discounted cash flow methodologies.

2009

In the fourth quarter of 2009, we made the decision to exit the La Senza Girl business and recorded an impairment charge of \$3 million related to the La Senza Girl trade name and other minor sub-brands. Our 2009 evaluation of the overall La Senza trade name indicated that the estimated fair value was in excess of the carrying value. As a result, no impairment was recognized with regards to this asset.

2010

Based on our 2010 evaluation, the estimated fair value of the La Senza trade name exceeded the carrying value. Reasonable changes in the significant estimates and assumptions used to determine the estimated fair value would not have resulted in a trade name impairment.

2011

Based on our 2011 evaluation, the carrying value of the La Senza trade name exceeded its' estimated fair value. As a result, we recognized an impairment charge of \$112 million to reduce the trade name carrying value to estimated fair value. Additionally, we recognized an additional impairment charge of \$1 million related to certain lease-related intangible assets.

Significant Estimates and Assumptions

Our determination of the estimated fair value of the La Senza reporting unit and other intangible assets requires significant judgments about economic factors, industry factors, our views regarding the future prospects of the La Senza reporting unit as well as numerous estimates and assumptions that are highly subjective. The estimates and assumptions critical to the overall fair value estimates include: (i) estimated future cash flow generated by La Senza; (ii) discount rates used to derive the present value factors used in determining the fair values; (iii) the terminal value assumption used in the discounted cash flow methodologies; and (iv) the royalty rate assumption used in the relief from royalty valuation methodology. These and other estimates and assumptions are impacted by economic conditions and expectations of management and may change in the future based on period-specific facts and circumstances. If La Senza's future cash flows are different than those projected by management, additional future impairment charges may be required.

Sensitivity Analysis

The following provides sensitivities to our 2011 significant estimates and assumptions as noted above:

- a 10% increase or decrease in estimated future cash flows would result in a \$24 million change to the impairment charges.
- a 1% increase or decrease in the discount rate would result in a \$7 million change to the impairment charges.
- a 10% increase or decrease in the terminal value assumption would result in an \$18 million change to the impairment charges.

Other Impairment

In the fourth quarter of 2010, we concluded that a sub-brand trade name would no longer be utilized within the Victoria's Secret business. We compared the estimated fair value of the trade name using a relief from royalty methodology to the carrying value and concluded that the trade name was fully impaired. As a result, we recognized an impairment charge of \$6 million. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2010 Consolidated Statement of Income.

Claims and Contingencies

We are subject to various claims and contingencies related to lawsuits, insurance, regulatory and other matters arising out of the normal course of business. Our determination of the treatment of claims and contingencies in the Consolidated Financial Statements is based on management's view of the expected outcome of the applicable claim or contingency. We consult with legal counsel on matters related to litigation and seek input from both internal and external experts within and outside our organization with respect to matters in the ordinary course of business. We accrue a liability if the likelihood of an adverse outcome is probable and the amount is reasonably estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable), or if an estimate is not reasonably determinable, disclosure of a material claim or contingency is disclosed in the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Income Taxes

We account for income taxes under the asset and liability method. Under this method, the amount of taxes currently payable or refundable are accrued and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is

recognized in our Consolidated Statement of Income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

Significant judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In determining our provision for income taxes, we use an annual effective income tax rate based on annual income, permanent differences between book and tax income and statutory income tax rates. We adjust the annual effective income tax rate as additional information on outcomes or events becomes available. Our effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

We follow the authoritative guidance included in ASC Topic 740, *Income Taxes*, which contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. Our policy is to include interest and penalties related to uncertain tax positions in income tax expense.

Our income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding our tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. We record an accrual for more likely than not exposures after evaluating the positions associated with our various income tax filings. A number of years may elapse before a particular matter for which we have established an accrual is audited and fully resolved or clarified. We adjust our tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from our established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available.

Although we believe that our estimates are reasonable, actual results could differ from these estimates resulting in a final tax outcome that may be materially different from that which is reflected in our Consolidated Financial Statements.

Revenue Recognition

Company-owned Stores and Direct Channels

While our recognition of revenue does not involve significant judgment, revenue recognition represents an important accounting policy for our organization. We recognize revenue upon customer receipt of the merchandise. We also provide a reserve for projected merchandise returns based on prior experience. For direct channel revenues, we estimate shipments that have not been received by the customer based on shipping terms and historical delivery times.

All of our brands sell gift cards with no expiration dates to customers in retail stores, through our direct channels and through third parties. We do not charge administrative fees on unused gift cards. We recognize income from gift cards when they are redeemed by the customer. In addition, we recognize income on unredeemed gift cards when we can determine that the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). We determine the gift card breakage rate based on historical redemption patterns. Gift card breakage is included in Net Sales in our Consolidated Statements of Income.

Franchise and Other

We also recognize revenues associated with franchise and wholesale arrangements. Revenue recognized under franchise arrangements generally consists of royalties earned upon sale of merchandise by franchisees to third-party customers. Revenue is generally recognized under wholesale arrangements at the time the title passes to the customer.

We recognize revenue associated with merchandise sourcing and production services provided to third parties. Revenue is recognized at the time the title passes to the customer.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market Risk

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows arising from adverse changes in foreign currency exchange rates or interest rates. We use derivative financial instruments like the cross-currency swaps and interest rate swap arrangements to manage exposure to market risks. We do not use derivative financial instruments for trading purposes.

Foreign Exchange Rate Risk

To mitigate the translation risk to our earnings and the fair value of our investment in La Senza associated with fluctuations in the U.S. dollar-Canadian dollar exchange rate, we entered into a series of cross-currency swaps related to Canadian dollar denominated intercompany loans. These cross-currency swaps require the periodic exchange of fixed rate Canadian dollar interest payments for fixed rate U.S. dollar interest payments as well as exchange of Canadian dollar and U.S. dollar principal payments upon maturity. The swap arrangements mature between 2015 and 2018 at the same time as the related loans. As a result of the Canadian dollar denominated intercompany loans and the related cross-currency swaps, we do not believe there is any material translation risk to La Senza's net earnings associated with fluctuations in the U.S. dollar-Canadian dollar exchange rate.

In addition, our Canadian dollar denominated earnings are subject to U.S. dollar-Canadian dollar exchange rate risk as substantially all of our merchandise sold in Canada is sourced through U.S. dollar transactions.

Interest Rate Risk

Our investment portfolio primarily consists of interest-bearing instruments that are classified as cash and cash equivalents based on their original maturities. Our investment portfolio is maintained in accordance with our investment policy, which specifies permitted types of investments, specifies credit quality standards and maturity profiles and limits credit exposure to any single issuer. The primary objective of our investment activities are the preservation of principal, the maintenance of liquidity and the maximization of interest income while minimizing risk. Currently, our investment portfolio is comprised of U.S. and Canadian government obligations, U.S. Treasury and AAA-rated money market funds, bank time deposits, and highly-rated commercial paper. Given the short-term nature and quality of investments in our portfolio, we do not believe there is any material risk to principal associated with increases or decreases in interest rates.

All of our long-term debt as of January 28, 2012 has fixed interest rates. We will from time to time adjust our exposure to interest rate risk by entering into interest rate swap arrangements. The effect of the interest rate swap arrangements is to convert the respective amount of debt from a fixed interest rate to a variable interest rate. The variable interest rate associated with these swap arrangements fluctuates based on changes in the three-month London Interbank Offered Rate ("LIBOR").

As of January 28, 2012, our designated fair value hedges have a notional amount of \$175 million related to a portion of our 2017 Notes.

For the balance of our long-term debt that is not subject to the interest rate swap arrangements, our exposure to interest rate changes is limited to the fair value of the debt issued, which would not have a material impact on our earnings or cash flows.

Fair Value of Financial Instruments

As of January 28, 2012, management believes that the carrying values of cash and cash equivalents, receivables and payables approximate fair value because of the short maturity of these financial instruments.

The following table provides a summary of the carrying value and fair value of long-term debt and swap arrangements as of January 28, 2012 and January 29, 2011:

	January 28, 2012	January 29, 2011
	(in millions)	
Long-term Debt:		
Carrying Value	\$ 3,538	\$ 2,507
Fair Value, Estimated (a) (b)	3,849	2,638
Cross-currency Swap Arrangements (c) (d)	60	57
Fixed-to-Floating Interest Rate Swap Arrangements (c) (e)	(14)	(3)

- (a) The estimated fair value of our publicly traded debt is based on quoted market prices. The estimates presented are not necessarily indicative of the amounts that we could realize in a current market exchange.
- (b) The increase in the estimated fair value of our long-term debt reflects the March 2011 issuance of \$1 billion notes due in April 2021 and increases in the estimated fair value of our remaining long-term debt.
- (c) Swap arrangements are in an (asset) liability position.
- (d) The change in fair value of the cross-currency swap arrangements from January 29, 2011 to January 28, 2012 is primarily due to the fluctuations in the U.S. dollar-Canadian dollar exchange rate.

- (e) The balance at January 29, 2011 represents multiple interest rate swap arrangements entered into during 2010 related to various outstanding notes to effectively convert the fixed interest rate on the related debt to a variable interest rate based on three-month London Interbank Offered Rate plus a fixed interest rate. The balance at January 28, 2012 only includes the interest rate swap arrangements related to our outstanding 2017 Notes as all others had been terminated in 2011.

Concentration of Credit Risk

We maintain cash and cash equivalents with various major financial institutions. Currently, our investment portfolio is comprised of U.S. and Canadian government obligations, U.S. Treasury and AAA-rated money market funds, bank time deposits, and highly-rated commercial paper.

We monitor the relative credit standing of financial institutions and other entities with whom we transact and limit the amount of credit exposure with any one entity. We also monitor the creditworthiness of entities to which we grant credit terms in the normal course of business and counterparties to derivative instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**LIMITED BRANDS, INC.
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Our fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the Consolidated Financial Statements and Notes by the calendar year in which the fiscal year commences. The results for fiscal years 2011, 2010 and 2009 represent the 52 week period ending January 28, 2012, January 29, 2011 and January 30, 2010, respectively.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of January 28, 2012. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria).

Based on our assessment and the COSO criteria, management believes that the Company maintained effective internal control over financial reporting as of January 28, 2012.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the Company's internal control over financial reporting. Ernst & Young LLP's report appears on the following page and expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of January 28, 2012.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors and Shareholders of Limited Brands, Inc.:

We have audited Limited Brands, Inc. and subsidiaries' internal control over financial reporting as of January 28, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Limited Brands, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Limited Brands, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of January 28, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheets of Limited Brands, Inc. and subsidiaries as of January 28, 2012 and January 29, 2011, and the related Consolidated Statements of Income, Comprehensive Income, Total Equity, and Cash Flows for each of the three years in the period ended January 28, 2012 of Limited Brands, Inc. and subsidiaries, and our report dated March 23, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio
March 23, 2012

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

The Board of Directors and Shareholders of Limited Brands, Inc.:

We have audited the accompanying Consolidated Balance Sheets of Limited Brands, Inc. and subsidiaries as of January 28, 2012 and January 29, 2011, and the related Consolidated Statements of Income, Comprehensive Income, Total Equity, and Cash Flows for each of the three years in the period ended January 28, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Limited Brands, Inc. and subsidiaries at January 28, 2012 and January 29, 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 28, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Limited Brands, Inc. and subsidiaries' internal control over financial reporting as of January 28, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 23, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio
March 23, 2012

LIMITED BRANDS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in millions except per share amounts)

	2011	2010	2009
Net Sales	\$ 10,364	\$ 9,613	\$ 8,632
Costs of Goods Sold, Buying and Occupancy	(6,307)	(5,982)	(5,604)
Gross Profit	4,057	3,631	3,028
General, Administrative and Store Operating Expenses	(2,698)	(2,341)	(2,166)
Impairment of Goodwill and Other Intangible Assets	(232)	(6)	(3)
Gain on Divestiture of Third-party Apparel Sourcing Business	111	—	—
Net Gain on Joint Venture	—	—	9
Operating Income	1,238	1,284	868
Interest Expense	(246)	(208)	(237)
Other Income	235	175	19
Income Before Income Taxes	1,227	1,251	650
Provision for Income Taxes	377	446	202
Net Income	\$ 850	\$ 805	\$ 448
Net Income Per Basic Share	\$ 2.80	\$ 2.49	\$ 1.39
Net Income Per Diluted Share	\$ 2.70	\$ 2.42	\$ 1.37

LIMITED BRANDS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions except per share amounts)

	2011	2010	2009
Net Income	\$ 850	\$ 805	\$ 448
Other Comprehensive Income (Loss), Net of Tax			
Reclassification of Cash Flow Hedges to Earnings	3	41	71
Foreign Currency Translation	(1)	(1)	(2)
Unrealized Loss on Cash Flow Hedges	(3)	(24)	(56)
Total Other Comprehensive Income (Loss), Net of Tax	(1)	16	13
Total Comprehensive Income	\$ 849	\$ 821	\$ 461

The accompanying Notes are an integral part of these Consolidated Financial Statements.

LIMITED BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
(in millions except per share amounts)

	January 28, 2012	January 29, 2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 935	\$ 1,130
Accounts Receivable, Net	218	232
Inventories	997	1,032
Deferred Income Taxes	51	35
Other	167	163
Total Current Assets	2,368	2,592
Property and Equipment, Net	1,644	1,610
Goodwill	1,330	1,451
Trade Names and Other Intangible Assets, Net	495	592
Other Assets	271	206
Total Assets	<u>\$ 6,108</u>	<u>\$ 6,451</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts Payable	\$ 540	\$ 545
Accrued Expenses and Other	770	765
Current Portion of Long-term Debt	57	—
Income Taxes	159	194
Total Current Liabilities	1,526	1,504
Deferred Income Taxes	183	202
Long-term Debt	3,481	2,507
Other Long-term Liabilities	780	761
Shareholders' Equity:		
Preferred Stock—\$1.00 par value; 10 shares authorized; none issued	—	—
Common Stock—\$0.50 par value; 1,000 shares authorized; 296 and 329 shares issued; 295 and 321 shares outstanding, respectively	148	164
Paid-in Capital	25	164
Accumulated Other Comprehensive Income	—	1
Retained Earnings	24	1,354
Less: Treasury Stock, at Average Cost; 1 and 8 shares, respectively	(60)	(207)
Total Limited Brands, Inc. Shareholders' Equity	137	1,476
Noncontrolling Interest	1	1
Total Equity	138	1,477
Total Liabilities and Equity	<u>\$ 6,108</u>	<u>\$ 6,451</u>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

LIMITED BRANDS, INC.
CONSOLIDATED STATEMENTS OF TOTAL EQUITY
(in millions except per share amounts)

	Common Stock		Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity
	Shares Outstanding	Par Value						
Balance, January 31, 2009	321	\$ 262	\$ 1,544	\$ (28)	\$ 4,777	\$ (4,681)	\$ 1	\$ 1,875
Net Income	—	—	—	—	448	—	—	448
Other Comprehensive Income	—	—	—	13	—	—	—	13
Total Comprehensive Income	—	—	—	13	448	—	—	461
Cash Dividends (\$0.60 per share)	—	—	—	—	(193)	—	—	(193)
Treasury Share Retirement	—	(101)	(1,545)	—	(2,995)	4,641	—	—
Exercise of Stock Options and Other	2	—	1	—	—	40	—	41
Balance, January 30, 2010	323	\$ 161	\$ —	\$ (15)	\$ 2,037	\$ —	\$ 1	\$ 2,184
Net Income	—	—	—	—	805	—	—	805
Other Comprehensive Income	—	—	—	16	—	—	—	16
Total Comprehensive Income	—	—	—	16	805	—	—	821
Cash Dividends (\$4.60 per share)	—	—	—	—	(1,488)	—	—	(1,488)
Repurchase of Common Stock	(8)	—	—	—	—	(207)	—	(207)
Exercise of Stock Options and Other	6	3	164	—	—	—	—	167
Balance, January 29, 2011	321	\$ 164	\$ 164	\$ 1	\$ 1,354	\$ (207)	\$ 1	\$ 1,477
Net Income	—	—	—	—	850	—	—	850
Other Comprehensive Income (Loss)	—	—	—	(1)	—	—	—	(1)
Total Comprehensive Income (Loss)	—	—	—	(1)	850	—	—	849
Cash Dividends (\$3.80 per share)	—	—	—	—	(1,144)	—	—	(1,144)
Repurchase of Common Stock	(32)	—	—	—	—	(1,194)	—	(1,194)
Treasury Share Retirement	—	(19)	(286)	—	(1,036)	1,341	—	—
Exercise of Stock Options and Other	6	3	147	—	—	—	—	150
Balance, January 28, 2012	295	\$ 148	\$ 25	\$ —	\$ 24	\$ (60)	\$ 1	\$ 138

The accompanying Notes are an integral part of these Consolidated Financial Statements.

LIMITED BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	2011	2010	2009
Operating Activities			
Net Income	\$ 850	\$ 805	\$ 448
Adjustments to Reconcile Net Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization of Long-lived Assets	391	394	393
Amortization of Landlord Allowances	(35)	(35)	(36)
Goodwill and Intangible Asset Impairment Charges	232	6	3
Deferred Income Taxes	(37)	(24)	49
Share-based Compensation Expense	51	64	40
Excess Tax Benefits from Share-based Compensation	(48)	(19)	—
Expense related to Contribution of Express Common Stock to The Limited Brands Foundation	163	—	—
Gain on Contribution of Express Common Stock to The Limited Brands Foundation	(147)	—	—
Gain on Divestiture of Third-party Apparel Sourcing Business	(111)	—	—
Gain on Sale of Express Common Stock	(86)	(45)	—
Gain on Distribution from Express	—	(49)	—
Gain on Express Initial Public Offering	—	(52)	—
Gain on Divestiture of Limited Stores	—	(20)	—
(Gain) Loss on Extinguishment of Debt	—	25	(2)
Net Gain on Joint Venture	—	—	(9)
Changes in Assets and Liabilities, Net of Assets and Liabilities related to Divestitures:			
Accounts Receivable	(152)	(11)	22
Inventories	(27)	9	156
Accounts Payable, Accrued Expenses and Other	106	112	17
Income Taxes Payable	13	73	44
Other Assets and Liabilities	103	51	49
Net Cash Provided by Operating Activities	<u>1,266</u>	<u>1,284</u>	<u>1,174</u>
Investing Activities			
Capital Expenditures	(426)	(274)	(202)
Proceeds from Divestiture of Third-party Apparel Sourcing Business	124	—	—
Proceeds from Sale of Express Common Stock	99	73	—
Return of Capital from Express	—	49	—
Proceeds from Divestiture of Limited Stores	—	32	—
Return of Capital from Limited Stores	—	7	—
Proceeds from Sale of Assets	—	—	32
Net Proceeds from Divestiture of Joint Venture	—	—	9
Other Investing Activities	(23)	7	(1)
Net Cash Used for Investing Activities	<u>(226)</u>	<u>(106)</u>	<u>(162)</u>
Financing Activities			
Proceeds from Long-term Debt, Net of Issuance and Discount Costs	981	390	473
Payments of Long-term Debt	—	(645)	(656)
Financing Costs	(7)	(14)	(19)
Repurchase of Common Stock	(1,190)	(207)	—
Dividends Paid	(1,144)	(1,488)	(193)
Excess Tax Benefits from Share-based Compensation	48	19	—
Proceeds from Exercise of Stock Options and Other	75	88	8
Net Cash Used for Financing Activities	<u>(1,237)</u>	<u>(1,857)</u>	<u>(387)</u>
Effects of Exchange Rate Changes on Cash	2	5	6
Net Increase (Decrease) in Cash and Cash Equivalents	(195)	(674)	631
Cash and Cash Equivalents, Beginning of Year	1,130	1,804	1,173
Cash and Cash Equivalents, End of Year	<u>\$ 935</u>	<u>\$ 1,130</u>	<u>\$ 1,804</u>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

LIMITED BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Limited Brands, Inc. (“the Company”) operates in the highly competitive specialty retail business. The Company is a specialty retailer of women’s intimate and other apparel, beauty and personal care products and accessories. The Company sells its merchandise through company-owned specialty retail stores in the United States (“U.S.”) and Canada, which are primarily mall-based, and through its websites, catalogue and other channels. The Company’s international operations outside of Canada are primarily through franchise, license and wholesale partners. The Company currently operates the following retail brands:

- Victoria’s Secret
- Victoria’s Secret Pink
- Bath & Body Works
- La Senza
- Henri Bendel

Fiscal Year

The Company’s fiscal year ends on the Saturday nearest to January 31. As used herein, “2011”, “2010” and “2009” refer to the 52-week periods ending January 28, 2012, January 29, 2011 and January 30, 2010, respectively.

Basis of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company accounts for investments in unconsolidated entities where it exercises significant influence, but does not have control, using the equity method. Under the equity method of accounting, the Company recognizes its share of the investee net income or loss. Losses are only recognized to the extent the Company has positive carrying value related to the investee. Carrying values are only reduced below zero if the Company has an obligation to provide funding to the investee. The Company’s share of net income or loss of unconsolidated entities from which the Company purchases merchandise or merchandise components is included in Costs of Goods Sold, Buying and Occupancy on the Consolidated Statements of Income. The Company’s share of net income or loss of all other unconsolidated entities is included in Other Income on the Consolidated Statements of Income. The Company’s equity investments are required to be tested for impairment when it is determined there may be an other than temporary loss in value.

Third-party Apparel Sourcing Business

On October 31, 2011, the Company divested 51% of its ownership interest in its third-party apparel sourcing business to affiliates of Sycamore Partners. The Company is accounting for its continuing investment under the equity method of accounting. For additional information, see Note 9, “Equity Investments and Other.”

Express

Through May 12, 2010, the Company had a 25% ownership interest in Express and accounted for this investment under the equity method of accounting. On May 13, 2010, Express completed an initial public offering (“IPO”). Additionally, the Company sold a portion of its shares of common stock in Express in conjunction with the IPO. As a result, the Company’s ownership interest was diluted from 25% to 18%. The Company eliminated in consolidation 25% of merchandise sourcing sales to Express through May 12, 2010 and eliminated 18% from May 13, 2010 through the end of the second quarter of 2010.

Based on the Company’s reduced ownership in Express, the resulting loss of contractual rights and the resignation of the Company’s seats on Express’ Board of Directors in August 2010, the Company concluded that it was no longer appropriate to account for its investment in Express using the equity method of accounting. Thus, at the beginning of the third quarter of 2010, the Company commenced accounting for its investment in Express using the cost method of accounting. As a result of the accounting change, the Company ceased recording equity income (loss) from Express in Other Income on the Consolidated Statement of Income and the Company also began recognizing 100% of gross merchandise sourcing revenue from Express.

In April 2011, the Company sold a portion of its remaining shares of common stock in Express in an Express secondary offering, which reduced the Company's ownership in Express to 8%. In April 2011, the Company also formally renounced its rights to its Express Board of Directors' seat. As a result, the Company commenced accounting for its investment in Express using the available-for-sale method of accounting in the first quarter of 2011.

In July 2011, the Company contributed all of its remaining shares of common stock in Express to The Limited Brands Foundation. For additional information, see Note 9, "Equity Investments and Other."

Limited Stores

Through June 9, 2010, the Company had a 25% ownership interest in Limited Stores. The Company accounted for this investment under the equity method of accounting and eliminated in consolidation 25% of gross merchandise sourcing revenue to Limited Stores equal to the Company's ownership percentage. On June 10, 2010, the Company divested its remaining 25% ownership percentage in Limited Stores and resigned its seats on Limited Stores' Board of Directors. Beginning June 10, 2010, the Company ceased recording equity income (loss) from Limited Stores and the Company also began recognizing 100% of gross merchandise sourcing revenue to Limited Stores. For additional information, see Note 9, "Equity Investments and Other."

Cash and Cash Equivalents

Cash and Cash Equivalents include cash on hand, demand deposits with financial institutions and highly liquid investments with original maturities of less than 90 days. The Company's outstanding checks, which amounted to \$69 million as of January 28, 2012 and \$74 million as of January 29, 2011, are included in Accounts Payable on the Consolidated Balance Sheets.

Concentration of Credit Risk

The Company maintains cash and cash equivalents with various major financial institutions. Currently, the Company's investment portfolio is comprised of U.S. and Canadian government obligations, U.S. Treasury and AAA-rated money market funds, bank time deposits and highly-rated commercial paper.

The Company monitors the relative credit standing of financial institutions and other entities with whom the Company transacts and limits the amount of credit exposure with any one entity. The Company also monitors the creditworthiness of entities to which the Company grants credit terms in the normal course of business and counterparties to derivative instruments.

Inventories

Inventories are principally valued at the lower of cost or market, on a weighted-average cost basis.

The Company records valuation adjustments to its inventories if the cost of specific inventory items on hand exceeds the amount it expects to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience.

The Company also records inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

Catalogue and Advertising Costs

The Company capitalizes the direct costs of producing and distributing its catalogues and amortizes the costs over the expected future revenue stream, which is generally over a three month period from the date the catalogues are mailed.

The Company's capitalized direct response advertising costs amounted to \$17 million and \$20 million as of January 28, 2012 and January 29, 2011, respectively, and are included in Other Current Assets on the Consolidated Balance Sheets. All other advertising costs are expensed at the time the promotion first appears in media or in the store. Catalogue and advertising costs amounted to \$474 million for 2011, \$473 million for 2010 and \$459 million for 2009.

Property and Equipment

The Company's property and equipment are recorded at cost and depreciation/amortization is computed on a straight-line basis using the following depreciable life ranges:

Category of Property and Equipment	Depreciable Life Range
Software, including software developed for internal use	3 - 7 years
Store related assets	3 - 10 years
Leasehold improvements	Shorter of lease term or 10 years
Non-store related building and site improvements	10 - 15 years
Other property and equipment	20 years
Buildings	30 years

When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life. The Company's cost of assets sold or retired and the related accumulated depreciation are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend useful lives are capitalized.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the estimated undiscounted future cash flows related to the asset are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset.

Goodwill and Intangible Assets

The Company has certain intangible assets resulting from business combinations and acquisitions that are recorded at cost. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives ranging from 3 to 20 years.

Intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the estimated undiscounted future cash flows related to the asset are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset.

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired. Goodwill is not subject to periodic amortization. Goodwill is reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The impairment review is performed by comparing each reporting unit's carrying value to its estimated fair value, determined through either estimated discounted future cash flows or market-based methodologies. If the carrying value exceeds the estimated fair value, the Company determines the fair value of all assets and liabilities of the reporting unit, including the implied fair value of goodwill. If the carrying value of goodwill exceeds the implied fair value, the Company recognizes an impairment charge equal to the difference.

Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The impairment review is performed by comparing the carrying value to the estimated fair value, usually determined by the estimated discounted future cash flows of the asset.

If future economic conditions are different than those projected by management, future impairment charges may be required.

Leases and Leasehold Improvements

The Company has leases that contain predetermined fixed escalations of minimum rentals and/or rent abatements subsequent to taking possession of the leased property. The Company recognizes the related rent expense on a straight-line basis commencing upon the store possession date. The Company records the difference between the recognized rental expense and amounts payable under the leases as deferred lease credits. The Company's liability for predetermined fixed escalations of minimum rentals and/or rent abatements amounted to \$113 million as of January 28, 2012 and \$105 million as of January 29, 2011. These liabilities are included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company receives construction allowances from landlords related to its retail stores. These allowances are generally

comprised of cash amounts received by the Company from its landlords as part of the negotiated lease terms. The Company records a receivable and a landlord allowance at the lease commencement date (date of initial possession of the store). The landlord allowance is amortized on a straight-line basis as a reduction of rent expense over the term of the lease (including the pre-opening build-out period) and the receivable is reduced as amounts are received from the landlord. The Company's unamortized portion of landlord allowances, which amounted to \$181 million as of January 28, 2012 and \$193 million as of January 29, 2011, is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company also has leasehold improvements which are amortized over the shorter of their estimated useful lives or the period from the date the assets are placed in service to the end of the initial lease term. Leasehold improvements made after the inception of the initial lease term are depreciated over the shorter of their estimated useful lives or the remaining lease term, including renewal periods, if reasonably assured.

Foreign Currency Translation

The functional currency of the Company's foreign operations is generally the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect as of the balance sheet date, while revenues and expenses are translated at the average exchange rates for the period. The Company's resulting translation adjustments are recorded as a component of Comprehensive Income in the Consolidated Statements of Comprehensive Income and the Consolidated Statements of Total Equity.

Derivative Financial Instruments

The Company uses derivative instruments designated as cash flow hedges or fair value hedges and non-designated derivative instruments to manage exposure to foreign currency exchange rates and interest rates. The Company does not use derivative financial instruments for trading purposes. All derivative financial instruments are recorded on the Consolidated Balance Sheets at fair value.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

For derivative instruments that are designated and qualify as fair value hedges, the changes in the fair value of the derivative instrument have an equal and offsetting impact to the carrying value of the liability on the balance sheet.

For derivative instruments that are not designated as hedging instruments, the gain or loss on the derivative instrument is recognized in current earnings.

Fair Value

The authoritative guidance included in Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosure*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This authoritative guidance further establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted market prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted market prices included in Level 1, such as quoted prices of similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company estimates the fair value of financial instruments, property and equipment and goodwill and intangible assets in accordance with the provisions of ASC Topic 820.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, the amount of taxes currently payable or refundable are accrued and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the Company's Consolidated Statement of Income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

In determining the Company's provision for income taxes, it uses an annual effective income tax rate based on annual income, permanent differences between book and tax income and statutory income tax rates. The Company adjusts the annual effective income tax rate as additional information on outcomes or events becomes available. The Company's effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

The Company follows a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes.

The Company's income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. The Company records an accrual for more likely than not exposures after evaluating the positions associated with its various income tax filings. A number of years may elapse before a particular matter for which the Company has established an accrual is audited and fully resolved or clarified. The Company adjusts its tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from its established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available. The Company includes its tax contingencies accrual, including accrued penalties and interest, in Other Long-term Liabilities on the Consolidated Balance Sheets unless the liability is expected to be paid within one year. Changes to the tax contingencies accrual, including accrued penalties and interest, are included in Provision for Income Taxes on the Consolidated Statements of Income.

Self Insurance

The Company is self-insured for medical, workers' compensation, property, general liability and automobile liability up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred but not reported ("IBNR") claims. IBNR claims are estimated using historical claim information and actuarial estimates.

Noncontrolling Interest

Noncontrolling interest represents the portion of equity interests of consolidated affiliates not owned by the Company.

Share-based Compensation

The Company recognizes all share-based payments to employees and directors as compensation cost over the service period based on their estimated fair value on the date of grant.

Compensation cost is recognized over the service period for the fair value of awards that actually vest. Compensation expense for awards without a performance condition is recognized, net of estimated forfeitures, using a single award approach (each award is valued as one grant, irrespective of the number of vesting tranches). Compensation expense for awards with a performance condition is recognized, net of estimated forfeitures, using a multiple award approach (each vesting tranche is valued as one grant).

During 2009, the Company followed a policy of issuing treasury shares to satisfy stock-based awards. Beginning in 2010, the Company adopted a policy of issuing new shares to satisfy stock-based awards.

Revenue Recognition

The Company recognizes sales upon customer receipt of the merchandise, which for direct response revenues reflects an estimate of shipments that have not yet been received by the customer based on shipping terms and estimated delivery times. The Company's shipping and handling revenues are included in Net Sales with the related costs included in Costs of Goods Sold, Buying and Occupancy on the Consolidated Statements of Income. The Company also provides a reserve for projected merchandise returns based on prior experience. Net Sales exclude sales tax collected from customers.

The Company's brands sell gift cards with no expiration dates to customers. The Company does not charge administrative fees on unused gift cards. The Company recognizes income from gift cards when they are redeemed by the customer. In addition, the Company recognizes income on unredeemed gift cards when it can determine that the likelihood of the gift card being redeemed is remote and that there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). The Company determines the gift card breakage rate based on historical redemption patterns. Gift card breakage is included in Net Sales in the Consolidated Statements of Income.

The Company also recognizes revenues associated with franchise and wholesale arrangements. Revenue recognized under franchise arrangements generally consists of royalties earned upon sale of merchandise by franchisees to third-party customers. Revenue is generally recognized under wholesale arrangements at the time the title passes to the customer.

The Company recognizes revenue associated with merchandise sourcing and production services provided to third parties. Revenue is recognized at the time the title passes to the customer.

Costs of Goods Sold, Buying and Occupancy

The Company's costs of goods sold include merchandise costs, net of discounts and allowances, freight and inventory shrinkage. The Company's buying and occupancy expenses primarily include payroll, benefit costs and operating expenses for its buying departments and distribution network, rent, common area maintenance, real estate taxes, utilities, maintenance, fulfillment expenses, catalogue amortization and depreciation for the Company's stores, warehouse facilities and equipment.

General, Administrative and Store Operating Expenses

The Company's general, administrative and store operating expenses primarily include payroll and benefit costs for its store-selling and administrative departments (including corporate functions), marketing, advertising and other operating expenses not specifically categorized elsewhere in the Consolidated Statements of Income.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates and the Company revises its estimates and assumptions as new information becomes available.

2. New Accounting Pronouncements

Other Comprehensive Income

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") ASU 2011-05, *Presentation of Comprehensive Income*, which amends ASC 220, *Comprehensive Income*. This guidance eliminates the option to present the components of other comprehensive income as a part of the statement of shareholders' equity and requires other comprehensive income to be presented as part of a single continuous statement of comprehensive income or in a statement of other comprehensive income immediately following the statement of income. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income. This guidance is required to be adopted in fiscal year 2012 and must be retrospectively applied to all reporting periods presented. The FASB has permitted early adoption. The Company adopted this guidance in the fourth quarter of 2011. ASU 2011-05 did not have an impact on the Company's consolidated results of operations, financial position or cash flows.

In December 2011, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05*, which defers the ASU 2011-05 requirement that companies present reclassification adjustments for each component of accumulated other comprehensive income (AOCI) in both net income and other comprehensive income on the face of the financial statements. Companies are still required to present reclassifications out of AOCI on the face of the financial statements or disclose those amounts in the notes to the financial statements. This ASU also defers the requirement to report reclassification adjustments in interim periods. This guidance is required to be adopted in fiscal year 2012, however, early adoption is permitted. The Company

adopted this guidance in the fourth quarter of 2011. ASU 2011-12 did not have an impact on the Company's consolidated results of operations, financial position or cash flows.

Goodwill

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment*, which gives companies testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit in step one of the goodwill impairment test. If companies determine, based on qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. This guidance will be effective beginning in fiscal year 2012, however, early adoption is permitted. ASU 2011-08 will not have an impact on the Company's consolidated results of operations, financial position or cash flows. The Company is currently evaluating the provisions of this ASU.

3. Earnings Per Share

Earnings per basic share are computed based on the weighted-average number of outstanding common shares. Earnings per diluted share include the weighted-average effect of dilutive options and restricted stock on the weighted-average shares outstanding.

The following table provides shares utilized for the calculation of basic and diluted earnings per share for 2011, 2010 and 2009:

	2011	2010	2009
	(in millions)		
Weighted-average Common Shares:			
Issued Shares (a) (b)	323	326	524
Treasury Shares (a) (b)	(19)	(3)	(202)
Basic Shares	304	323	322
Effect of Dilutive Options and Restricted Stock	10	10	5
Diluted Shares	314	333	327
Anti-dilutive Options and Awards (c)	1	2	12

(a) In December 2011, the Company retired 39 million shares of its Treasury Stock.

(b) In January 2010, the Company retired 201 million shares of its Treasury Stock.

(c) These options and awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

4. Divestitures

Third-party Apparel Sourcing Business

On October 31, 2011, the Company divested 51% of its ownership interest in its third-party apparel sourcing business to affiliates of Sycamore Partners for pre-tax cash proceeds of \$124 million. The Company recorded a pre-tax gain on the divestiture of \$111 million in the fourth quarter of 2011. For additional information, see Note 9, "Equity Investments and Other."

Express

During the period between May 2010 through July 2011, the Company completed the divestiture of its remaining 25% ownership in Express through the following transactions:

- In May 2010, Express completed an IPO and the Company sold 1.3 million shares of its common stock in Express for \$20 million, reducing its ownership interest to 18%. As a result of these events, the Company recognized a pre-tax gain of \$52 million.
- In December 2010, the Company sold 3.6 million shares of its common stock in Express for \$52 million, reducing its ownership interest to 14%. As a result, the Company recognized a pre-tax gain of \$45 million.
- In April 2011, the Company sold 5.5 million shares of its common stock in Express for \$99 million, reducing its ownership interest to 8%. As a result, the Company recognized a pre-tax gain of \$86 million.
- In July 2011, the Company contributed its remaining 7.2 million shares of common stock to The Limited Brands

Foundation, reducing its ownership interest to 0%. At the time of the charitable contribution, the stock was worth \$163 million. As a result of the contribution, the Company recognized a non-taxable gain of \$147 million.

For additional information, see Note 9, “Equity Investments and Other.”

Limited Stores

In June 2010, the Company completed the divestiture of its remaining 25% ownership interest in Limited Stores and resigned its seats on Limited Stores’ Board of Directors. The Company received pre-tax net cash proceeds of \$32 million from the divestiture which are included in Proceeds from Divestiture of Limited Stores within the Investing Activities section on the 2010 Consolidated Statement of Cash Flows. The Company recorded a pre-tax gain on the divestiture of \$20 million. The pre-tax gain is included in Other Income on the 2010 Consolidated Statement of Income. For additional information, see Note 9, “Equity Investments and Other.”

5. Restructuring Activities

During the fourth quarter of 2011, the Company initiated a restructuring program designed to resize a portion of La Senza's store fleet and relocate its home office from Montreal, Canada to Columbus, Ohio. The Company recognized a pre-tax charge consisting of contract termination costs, severance and other costs of \$24 million in the fourth quarter of 2011. The Company anticipates that the majority of costs incurred related to this restructuring program will be paid out in 2012. The restructuring charges of \$17 million and \$7 million are included in Cost of Goods Sold, Buying and Occupancy and General, Administrative and Store Operating Expenses, respectively, on the 2011 Consolidated Statement of Income.

6. Inventories

The following table provides inventories as of January 28, 2012 and January 29, 2011:

	January 28, 2012	January 29, 2011
	(in millions)	(in millions)
Finished Goods Merchandise	\$ 926	\$ 956
Raw Materials and Merchandise Components	71	76
Total Inventories	\$ 997	\$ 1,032

7. Property and Equipment, Net

The following table provides property and equipment, net as of January 28, 2012 and January 29, 2011:

	January 28, 2012	January 29, 2011
	(in millions)	(in millions)
Land	\$ 61	\$ 61
Buildings and Improvements	403	395
Furniture, Fixtures, Software and Equipment	2,528	2,466
Leaseholds Improvements	1,236	1,196
Construction in Progress	159	65
Total	4,387	4,183
Accumulated Depreciation and Amortization	(2,743)	(2,573)
Property and Equipment, Net	\$ 1,644	\$ 1,610

Depreciation expense was \$387 million in 2011, 2010 and 2009.

8. Goodwill, Trade Names and Other Intangible Assets, Net

Goodwill

The following table provides the rollforward of goodwill for the fiscal years ended January 28, 2012 and January 29, 2011:

	Victoria's Secret	Bath & Body Works	Other	Total
	(in millions)			
Balance as of January 30, 2010	\$ 690	\$ 628	\$ 124 (a)	\$ 1,442
Foreign Currency Translation	—	—	9	9
Balance as of January 29, 2011	690	628	133	1,451
Impairment	—	—	(119)	(119)
Foreign Currency Translation	—	—	(2)	(2)
Balance as of January 28, 2012	<u>\$ 690</u>	<u>\$ 628</u>	<u>\$ 12</u>	<u>\$ 1,330</u>

(a) Balance is presented net of a \$189 million La Senza impairment recognized in the fourth quarter of 2008.

Intangible Assets—Indefinite Lives

Intangible assets with indefinite lives represent the Victoria's Secret, Bath & Body Works and La Senza trade names. These assets totaled \$486 million as of January 28, 2012 and \$576 million as of January 29, 2011 and are included in Trade Names and Other Intangible Assets, Net on the Consolidated Balance Sheets.

Intangible Assets—Finite Lives

Intangible assets with finite lives represent certain trademarks and customer relationships. These assets totaled \$9 million and \$16 million as of January 28, 2012 and January 29, 2011, respectively, and are included in Trade Names and Other Intangible Assets, Net on the Consolidated Balance Sheets. Amortization expense was \$4 million for 2011, \$7 million for 2010 and \$6 million for 2009. Estimated future annual amortization expense will be approximately \$3 million in 2012, \$2 million in 2013, \$2 million in 2014, and \$2 million in 2015.

Impairment Charges

La Senza

In conjunction with the January 2007 acquisition of La Senza, the Company recorded \$313 million in goodwill, \$170 million in intangible assets with indefinite lives and \$26 million in intangible assets with finite lives. These assets are included in the La Senza reporting unit which is included in the Other segment.

2008

In the fourth quarter of 2008, the Company completed its annual impairment testing. During the latter half of 2008, La Senza's operating results were negatively impacted by the global economic downturn and the resulting impact on the Canadian retail environment. As part of the annual impairment evaluation, the Company assessed the recoverability of goodwill using a discounted cash flow methodology. The Company concluded that the carrying value of the La Senza goodwill exceeded the implied fair value based on the estimated fair value of the La Senza reporting unit. Accordingly, the Company recorded a goodwill impairment charge of \$189 million. Prior to completing the goodwill impairment evaluation, the Company performed its annual impairment analysis for indefinite-lived trade names. Based on its evaluation using a relief from royalty and other discounted cash flow methodologies, the Company concluded that certain La Senza trade name assets were impaired. Accordingly, the Company recorded an impairment charge of \$25 million to reduce the carrying value of these assets to their estimated fair values. The Company also recognized a \$1 million impairment charge related to a finite lived trade name asset.

2009

In the fourth quarter of 2009, the Company made the decision to exit the La Senza Girl business and recorded an impairment charge of \$3 million to write-off the La Senza Girl trade name and other minor trade names. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2009 Consolidated Statement of Income.

2011

In the fourth quarter of 2011, the Company completed its annual impairment testing. During 2011, La Senza's operating results failed to meet the Company's expectations, as both comparable store sales and gross profit were below our beginning of year

expectations especially in the critical fourth quarter holiday period. As part of the annual impairment evaluation, the Company assessed the recoverability of goodwill using a discounted cash flow methodology. The Company concluded that the carrying value of the La Senza goodwill exceeded the implied fair value based on the estimated fair value of the La Senza reporting unit. Accordingly, the Company recorded a goodwill impairment charge of \$119 million. The goodwill impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2011 Consolidated Statement of Income.

Prior to completing the goodwill impairment evaluation, the Company performed its annual impairment analysis for its indefinite-lived trade name. Based on its evaluation using relief from royalty and other discounted cash flow methodologies, the Company concluded that the La Senza trade name asset was impaired. Accordingly, the Company recorded an impairment charge of \$112 million to reduce the carrying value of the trade name asset to its estimated fair value. The Company also recognized a \$1 million impairment charge related to a lease-related intangible asset. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2011 Consolidated Statement of Income.

Other

In the fourth quarter of 2010, the Company concluded that a sub-brand trade name would no longer be utilized within the Victoria's Secret business. The Company compared the estimated fair value of the trade name using a relief from royalty methodology to the carrying value and concluded that the trade name was fully impaired. As a result, the Company recognized an impairment charge of \$6 million. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2010 Consolidated Statement of Income.

9. Equity Investments and Other

Third-party Apparel Sourcing Business

On October 31, 2011, the Company divested 51% of its ownership interest in its third-party apparel sourcing business to affiliates of Sycamore Partners for pre-tax cash proceeds of \$124 million. The Company's remaining 49% ownership interest is accounted for under the equity method of accounting. The proceeds are included in Proceeds from Divestiture of Third-party Apparel Sourcing Business within the Investing Activities section on the 2011 Consolidated Statement of Cash Flows. The Company recorded a pre-tax gain on the divestiture of \$111 million in the fourth quarter of 2011 which is included in Gain on Divestiture of Third-party Apparel Sourcing Business on the 2011 Consolidated Statement of Income.

In conjunction with the transaction, the Company entered into transition services agreements whereby the Company is providing support in various operational areas including logistics, technology and financial services. The terms of these transition services arrangements vary and range from two months to three years.

The Company is accounting for its remaining interest in the third-party apparel sourcing business using the equity method. The Company's carrying value for this investment was \$72 million as of January 28, 2012.

Express

In July 2007, the Company completed the divestiture of 75% of its ownership interest in Express. In conjunction with the transaction, the Company and Express entered into transition services agreements whereby the Company provided support to Express in various operational areas including logistics, technology and merchandise sourcing. The terms of these transition services arrangements varied and ranged from three months to three years.

In October 2009, the Company entered into new agreements with Express whereby the Company will continue to provide logistics services and lease office space. The Company's third-party apparel sourcing business, which the Company divested in the fourth quarter of 2011, also continues to provide merchandise sourcing services to Express.

The Company recognized merchandise sourcing revenue from Express of \$325 million in 2011, \$384 million in 2010 and \$344 million in 2009. These amounts are net of the elimination of merchandise sourcing revenue equal to the Company's ownership percentage through the second quarter of 2010. The Company's accounts receivable from Express for merchandise sourcing and other services totaled \$74 million as of January 29, 2011.

In March 2010, Express completed a cash distribution to its owners and the Company received \$57 million. The Company's portion representing a return on capital was \$8 million and is included in Other Assets and Liabilities within the Operating Activities section of the 2010 Consolidated Statement of Cash Flows. The remaining portion representing a return of capital is \$49 million and is included in Return of Capital from Express within the Investing Activities section of the 2010 Consolidated Statement of Cash Flows. The proceeds received from the cash distribution were in excess of the Company's carrying value of the investment in Express. As a result, the carrying value was reduced to zero as of the date of the cash distribution and a pre-tax gain of \$49 million was recorded. The pre-tax gain is included in Other Income on the 2010 Consolidated Statement of Income.

On May 13, 2010, Express completed an IPO and the Company sold 1.3 million shares of its common stock in Express for \$20 million. As a result, the Company's ownership interest was diluted from 25% to 18% and the carrying value of the Company's remaining investment was increased to reflect the proportional impact of the IPO. As a result of these events, the Company recognized a pre-tax gain of \$52 million, which is included in Other Income on the 2010 Consolidated Statement of Income.

Based on the Company's reduced ownership in Express, the resulting loss of contractual rights and the resignation of the Company's seats on Express' Board of Directors in August 2010, the Company concluded that it was no longer appropriate to account for its investment in Express using the equity method of accounting. At the beginning of the third quarter of 2010, the Company commenced accounting for its investment in Express using the cost method of accounting. As a result of the accounting change, the Company ceased recording equity income (loss) from Express in Other Income on the Consolidated Statement of Income and the Company also began recognizing 100% of merchandise sourcing sales to Express.

On December 15, 2010, Express completed a secondary offering and the Company sold an additional 3.6 million shares of its common stock in Express for \$52 million. As a result, the Company's ownership interest was diluted from 18% to 14% and the Company recognized a pre-tax gain of \$45 million, which is included in Other Income on the 2010 Consolidated Statement of Income. Express also completed a cash dividend to its owners in December 2010 and the Company received \$7 million. As a result of the dividend, the Company recognized a pre-tax gain of \$7 million, which is also included in Other Income on the 2010 Consolidated Statement of Income.

On April 12, 2011, the Company sold 5.5 million shares of its common stock in Express for \$99 million. As a result, the Company's ownership interest was reduced from 14% to 8% and the Company recognized a pre-tax gain of \$86 million, which is included in Other Income on the 2011 Consolidated Statement of Income. On April 21, 2011, the Company formally renounced its rights to its Express Board of Directors' seat. As a result, the Company commenced accounting for its investment in Express using the available-for-sale method of accounting in the first quarter of 2011.

In July 2011, the Company contributed all of its remaining 7.2 million shares of Express, valued at \$163 million, to The Limited Brands Foundation. As a result, the Company recognized contribution expense in 2011 of \$163 million which is included in General, Administrative and Store Operating Expenses on the 2011 Consolidated Statement of Income. The Company also recognized a non-taxable gain of \$147 million representing the difference between the market value of the Express shares on the date of the contribution and the Company's net carrying value. The gain is included in Other Income on the 2011 Consolidated Statement of Income.

The Company's investment carrying value under the cost method of accounting was \$29 million as of January 29, 2011 and is included in Other Assets on the 2010 Consolidated Balance Sheet.

Limited Stores

In August 2007, the Company completed the divestiture of 75% of its ownership interest in Limited Stores. In conjunction with the transaction, the Company and Limited Stores entered into transition services agreements whereby the Company provided support to Limited Stores in various operational areas including logistics, technology and merchandise sourcing. The terms of these transition services arrangements varied and ranged from three months to three years.

In June 2010, the Company entered into a new agreement with Limited Stores whereby the Company will continue to provide logistics services. The Company's third-party apparel sourcing business, which the Company divested in the fourth quarter of 2011, continues to provide merchandise sourcing services to Limited Stores.

The Company recognized merchandise sourcing revenue from Limited Stores of \$83 million in 2011, \$62 million in 2010 and \$58 million in 2009. The amounts are net of the elimination of merchandise sourcing revenue equal to the Company's ownership percentage. The Company's accounts receivable from Limited Stores for merchandise sourcing and other services totaled \$9 million as of January 29, 2011.

In February 2010, Limited Stores completed a cash distribution to its owners and the Company received \$7 million. The proceeds received from the cash dividend reduced the Company's carrying value of the investment in Limited Stores. The distribution represented a return of capital and is included in Return of Capital from Limited Stores within the Investing Activities section on the 2010 Consolidated Statement of Cash Flows.

In June 2010, the Company completed the divestiture of its remaining 25% ownership interest in Limited Stores and resigned its seats on Limited Stores' Board of Directors. The Company received pre-tax net cash proceeds of \$32 million from the divestiture which are included in Proceeds from Divestiture of Limited Stores within the Investing Activities section on the 2010 Consolidated Statement of Cash Flows. The Company recorded a pre-tax gain on the divestiture of \$20 million. The pre-tax gain is included in Other Income on the 2010 Consolidated Statement of Income. The Company ceased recording equity income (loss) from Limited Stores in Other Income on the Consolidated Statement of Income, and the Company began

recognizing 100% of merchandise sourcing sales to Limited Stores following the divestiture.

Easton Investment

The Company has land and other investments in Easton, a 1,300 acre planned community in Columbus, Ohio that integrates office, hotel, retail, residential and recreational space. These investments, at cost, totaled \$70 million as of January 28, 2012 and \$69 million as of January 29, 2011 and are recorded in Other Assets on the Consolidated Balance Sheets.

Included in the Company's Easton investments is an equity interest in Easton Town Center, LLC ("ETC"), an entity that owns and has developed a commercial entertainment and shopping center. The Company's investment in ETC is accounted for using the equity method of accounting. The Company has a majority financial interest in ETC, but another unaffiliated member manages ETC. Certain significant decisions regarding ETC require the consent of unaffiliated members in addition to the Company.

Other

In April 2008, the Company recorded a pre-tax impairment charge of \$19 million related to an unconsolidated joint venture accounted for under the equity method of accounting. The charge consisted of writing down the investment balance, reserving certain accounts and notes receivable and accruing a contractual liability. In July 2009, the Company recognized a pre-tax gain of \$9 million associated with the reversal of the accrued contractual liability as a result of the divestiture of the joint venture. The pre-tax gain is included in Net Gain on Joint Venture on the 2009 Consolidated Statement of Income.

10. Accrued Expenses and Other

The following table provides additional information about the composition of accrued expenses and other as of January 28, 2012 and January 29, 2011:

	January 28, 2012	January 29, 2011
	(in millions)	
Compensation, Payroll Taxes and Benefits	\$ 171	\$ 194
Deferred Revenue, Principally from Gift Card Sales	196	191
Taxes, Other Than Income	67	68
Insurance	36	34
Returns Reserve	30	30
Interest	50	29
Rent	21	22
Other	199	197
Total Accrued Expenses and Other	\$ 770	\$ 765

11. Income Taxes

The following table provides the components of the Company's provision for income taxes for 2011, 2010 and 2009:

	2011	2010	2009
	(in millions)		
Current:			
U.S. Federal	\$ 357	\$ 406	\$ 138
U.S. State	46	54	1
Non-U.S.	11	10	14
Total	414	470	153
Deferred:			
U.S. Federal	6	(20)	47
U.S. State	1	(3)	8
Non-U.S.	(44)	(1)	(6)
Total	(37)	(24)	49
Provision for Income Taxes	\$ 377	\$ 446	\$ 202

The foreign component of pre-tax income, arising principally from overseas operations, was a loss of \$37 million for 2011, and income of \$42 million and \$84 million for 2010 and 2009, respectively. The 2011 loss included the impact of the \$232 million impairment of goodwill and other intangible assets at La Senza as well as the foreign portion of the gain on the divestiture of the third-party apparel sourcing business of \$105 million.

The Non-U.S. deferred benefit of \$44 million is primarily the result of the reversal of a deferred tax liability associated with the La Senza trade name established upon the acquisition of La Senza.

The following table provides the reconciliation between the statutory federal income tax rate and the effective tax rate for 2011, 2010 and 2009:

	2011	2010	2009
Federal Income Tax Rate	35.0 %	35.0 %	35.0 %
State Income Taxes, Net of Federal Income Tax Effect	4.0 %	3.5 %	3.7 %
Express Charitable Contribution	(5.0)%	— %	— %
Deductible Loss on Divestiture of Limited Stores	— %	(2.4)%	— %
Non-deductible Impairment of Goodwill and Other Intangible Assets	4.3 %	— %	0.3 %
Foreign Portion of the Divestiture of Third-party Apparel Sourcing Business	(3.0)%	— %	— %
Impact of Non-U.S. Operations	(2.2)%	0.5 %	(5.0)%
Other Items, Net	(2.4)%	(1.0)%	(2.9)%
Effective Tax Rate	30.7 %	35.6 %	31.1 %

The Company's effective tax rate has historically reflected a provision related to the undistributed earnings of foreign affiliates, but the related taxes are not paid until the earnings are deemed repatriated to the United States. The Company has historically recorded a deferred tax liability for those undistributed earnings. Currently, no deferred tax liability is recorded on foreign affiliated earnings as the tax basis is greater than the carrying value.

In the fourth quarter of 2009, the Company executed a re-organization of certain of its foreign subsidiaries which resulted in the recognition of a non-cash income tax benefit of \$21 million associated with the reversal of deferred tax liabilities associated with undistributed earnings of a foreign subsidiary.

Deferred Taxes

The following table provides the effect of temporary differences that cause deferred income taxes as of January 28, 2012 and January 29, 2011. Deferred tax assets and liabilities represent the future effects on income taxes resulting from temporary differences and carryforwards at the end of the respective year.

	January 28, 2012			January 29, 2011		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	(in millions)					
Leases	\$ 45	\$ —	\$ 45	\$ 39	\$ —	\$ 39
Non-qualified Retirement Plan	82	—	82	73	—	73
Inventory	—	—	—	7	—	7
Property and Equipment	—	(190)	(190)	—	(154)	(154)
Goodwill	—	(15)	(15)	—	(15)	(15)
Trade Names and Other Intangibles	—	(139)	(139)	—	(183)	(183)
Charitable Contribution Carryforwards	23	—	23	—	—	—
State Net Operating Loss Carryforwards	26	—	26	31	—	31
Non-U.S. Operating Loss Carryforwards	40	—	40	38	—	38
Valuation Allowance	(59)	—	(59)	(50)	—	(50)
Other, Net	55	—	55	45	—	45
Total Deferred Income Taxes	\$ 212	\$ (344)	\$ (132)	\$ 183	\$ (352)	\$ (169)

As of January 28, 2012, the Company had available for state income tax purposes net operating loss carryforwards which expire, if unused, in the years 2012 through 2028. The Company has analyzed the realization of the state net operating loss carryforwards on an individual state basis. For those states where the Company has determined that it is more likely than not that the state net operating loss carryforwards will not be realized, a valuation allowance has been provided for the deferred tax asset.

As of January 28, 2012, the Company had available for non-U.S. tax purposes net operating loss carryforwards which expire, if unused, in the years 2027 through 2031. The Company has determined that it is more likely than not that all of the net operating loss carryforwards will not be realized and a valuation allowance has been provided for the net deferred tax assets, including the net operating loss carryforwards, of the related tax loss entity.

Income tax payments were \$400 million for 2011, \$376 million for 2010 and \$118 million for 2009.

Uncertain Tax Positions

The following table summarizes the activity related to the Company's unrecognized tax benefits for U.S. federal, state & non-U.S. tax jurisdictions for 2011, 2010 and 2009, without interest and penalties:

	2011	2010	2009
	(in millions)		
Gross Unrecognized Tax Benefits, as of the Beginning of the Fiscal Year	\$ 147	\$ 115	\$ 116
Increases in Unrecognized Tax Benefits for Prior Years	4	17	18
Decreases in Unrecognized Tax Benefits for Prior Years	(33)	(17)	(31)
Increases in Unrecognized Tax Benefits as a Result of Current Year Activity	45	40	26
Decreases to Unrecognized Tax Benefits Relating to Settlements with Taxing Authorities	(9)	(2)	(9)
Decreases to Unrecognized Tax Benefits as a Result of a Lapse of the Applicable Statute of Limitations	(8)	(6)	(6)
Foreign Currency Translation	—	—	1
Gross Unrecognized Tax Benefits, as of the End of the Fiscal Year	<u>\$ 146</u>	<u>\$ 147</u>	<u>\$ 115</u>

Of the \$146 million, \$147 million and \$115 million of total unrecognized tax benefits at January 28, 2012, January 29, 2011, and January 30, 2010, respectively, approximately \$131 million, \$130 million and \$100 million, respectively, represent the amount of unrecognized tax benefits that if recognized would favorably affect the effective income tax rate in future periods. These amounts are net of the offsetting tax effects from other tax jurisdictions.

Of the total unrecognized tax benefits, it is reasonably possible that \$96 million could change in the next twelve months due to audit settlements, expiration of statute of limitations or other resolution of uncertainties. Due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in amounts which could be different from this estimate. In such case, the Company will record additional tax expense or tax benefit in the period in which such matters are effectively settled.

The Company recognizes interest and penalties related to unrecognized tax benefits as components of income tax expense. The Company recognized interest and penalties benefit of \$7 million in 2011, expense of \$2 million in 2010 and benefit of \$7 million in 2009. The Company has accrued approximately \$25 million and \$32 million for the payment of interest and penalties as of January 28, 2012 and January 29, 2011, respectively. Accrued interest and penalties are included within Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company files U.S. federal income tax returns as well as income tax returns in various states and in non-U.S. jurisdictions. At the end of 2011, the Company was subject to examination by the IRS for 2008 through 2010. The Company is also subject to various U.S. state and local income tax examinations for the years 2004 to 2010. Finally, the Company is subject to multiple non-U.S. tax jurisdiction examinations for the years 2001 to 2010. In some situations, the Company determines that it does not have a filing requirement in a particular tax jurisdiction. Where no return has been filed, no statute of limitations applies. Accordingly, if a tax jurisdiction reaches a conclusion that a filing requirement does exist, additional years may be reviewed by the tax authority. The Company believes it has appropriately accounted for uncertainties related to this issue.

12. Long-term Debt

The following table provides the Company's long-term debt balance as of January 28, 2012 and January 29, 2011:

	January 28, 2012	January 29, 2011
	(in millions)	
Senior Unsecured Debt with Subsidiary Guarantee		
\$1 billion, 6.625% Fixed Interest Rate Notes due April 2021 (“2021 Notes”)	\$ 1,000	\$ —
\$500 million, 8.50% Fixed Interest Rate Notes due June 2019, Less Unamortized Discount (“2019 Notes”)	488	486
\$400 million, 7.00% Fixed Interest Rate Notes due May 2020 (“2020 Notes”)	400	400
Total Senior Unsecured Debt with Subsidiary Guarantee	\$ 1,888	\$ 886
Senior Unsecured Debt		
\$700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount (“2017 Notes”) (a)	\$ 724	\$ 699
\$350 million, 6.95% Fixed Interest Rate Debentures due March 2033, Less Unamortized Discount (“2033 Notes”)	350	350
\$300 million, 7.60% Fixed Interest Rate Notes due July 2037, Less Unamortized Discount (“2037 Notes”)	299	299
5.25% Fixed Interest Rate Notes due November 2014, Less Unamortized Discount (“2014 Notes”) (b)	220	215
6.125% Fixed Interest Rate Notes due December 2012, Less Unamortized Discount (“2012 Notes”) (c)	57	58
Total Senior Unsecured Debt	\$ 1,650	\$ 1,621
Total	\$ 3,538	\$ 2,507
Current Portion of Long-term Debt (c)	(57)	—
Total Long-term Debt, Net of Current Portion	\$ 3,481	\$ 2,507

- (a) The balances include a fair value interest rate hedge adjustment which increased the debt balance by \$25 million as of January 28, 2012 and \$0 million as of January 29, 2011.
- (b) The principal balance outstanding was \$213 million as of both January 28, 2012 and January 29, 2011. The balances include a fair value interest rate hedge adjustment which increased the debt balance by \$7 million as of January 28, 2012 and \$2 million as of January 29, 2011.
- (c) The principal balance outstanding was \$57 million as of both January 28, 2012 and January 29, 2011. The balances include a fair value interest rate hedge adjustment which increased the debt balance by \$0 million as of January 28, 2012 and \$1 million as of January 29, 2011.

The following table provides principal payments due on long-term debt in the next five fiscal years and the remaining years thereafter:

Fiscal Year (in millions)	
2012	\$ 57
2013	—
2014	213
2015	—
2016	—
Thereafter	3,250

Cash paid for interest was \$225 million in 2011, \$209 million in 2010 and \$250 million in 2009.

Issuance of Notes

In May 2010, the Company issued \$400 million of 7.00% notes due in May 2020 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2020 Notes are jointly and severally guaranteed on a full and unconditional basis by the guarantors. The net proceeds from the issuance were \$390 million, which included transaction costs of \$10 million. These transaction costs are being amortized through the maturity date of May 2020 and are included within Other Assets on the Consolidated Balance Sheets.

In March 2011, the Company issued \$1 billion of 6.625% notes due in April 2021 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2021 Notes are jointly and severally guaranteed on a full and unconditional basis by the guarantors. The net proceeds from the issuance were \$981 million, which included transaction costs of \$19 million. These transaction costs are being amortized through the maturity date of April 2021 and are included within Other Assets on the 2011 Consolidated Balance Sheet.

Subsequent to January 28, 2012, the Company issued \$1 billion of 5.625% notes due in February 2022 (“2022 Notes”) utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2022 Notes are jointly and severally guaranteed on a full and unconditional basis by the guarantors. The net proceeds from the issuance were \$985 million, which included transaction costs of \$15 million. These transaction costs will be amortized through the maturity date of February 2022.

Repurchase of Notes

In May 2010, the Company used a portion of the proceeds from the 2020 Notes to repurchase \$134 million of the Company’s 2012 Notes for \$144 million. The Company used the remaining portion of the proceeds from the 2020 Notes to repurchase \$266 million of the 2014 Notes for \$277 million. The loss on extinguishment of this debt was \$25 million and is included in Other Income on the 2010 Consolidated Statement of Income.

In August 2010, the Company repurchased \$20 million and \$1 million of 2014 Notes and 2012 Notes, respectively, through open-market transactions.

Revolving Facility

On July 15, 2011, the Company entered into an amendment and restatement (“Amendment”) of its secured revolving credit facility (“Revolving Facility”). The Amendment increased the aggregate amount of the commitments of the lenders under the Revolving Facility from \$800 million to \$1 billion and extended the termination date from August 1, 2014 to July 15, 2016. In addition, the Amendment reduced fees payable under the Revolving Facility which are based on the Company’s long-term credit ratings. The fees related to committed and unutilized amounts per year were reduced from 0.50% to 0.325% per annum and the fees related to outstanding letters of credit were reduced from 3.00% to 1.75% per annum. In addition, the interest rate on outstanding borrowings was reduced from the London Interbank Offered Rate (“LIBOR”) plus 3.00% to LIBOR plus 1.75%.

The Company incurred fees related to the Amendment of the Revolving Facility of \$7 million, which were capitalized and are being amortized over the remaining term of the Revolving Facility.

The Revolving Facility contains fixed charge coverage and debt to EBITDA financial covenants. The Company is required to maintain a fixed charge coverage ratio of not less than 1.75 to 1.00 and a consolidated debt to consolidated EBITDA ratio not exceeding 4.00 to 1.00 for the most recent four-quarter period. In addition, the Revolving Facility provides that investments and restricted payments may be made, without limitation on amount, if (a) at the time of and after giving effect to such investment or restricted payment the ratio of consolidated debt to consolidated EBITDA for the most recent four-quarter period is less than 3.00 to 1.00 and (b) no default or event of default exists. As of January 28, 2012, the Company was in compliance with both of its financial covenants and the ratio of consolidated debt to consolidated EBITDA was less than 3.00 to 1.00.

As of January 28, 2012, there were no borrowings outstanding under the Revolving Facility.

Letters of Credit

The Revolving Facility supports the Company’s letter of credit program. The Company had \$13 million of outstanding letters of credit as of January 28, 2012 that reduce its remaining availability under its amended credit agreements.

Term Loan and Participating Interest Rate Swap Arrangements

In March 2010, the Company prepaid \$200 million of a term loan. In conjunction with the term loan prepayment, the Company

terminated participating interest rate swap arrangements totaling \$200 million. For additional information, see Note 13, “Derivative Instruments.”

Fair Value Interest Rate Swap Arrangements

For information related to the Company’s fair value interest rate swap arrangements, see Note 13, “Derivative Instruments.”

13. Derivative Instruments

Foreign Exchange Risk

In January 2007, the Company entered into a series of cross-currency swaps related to approximately \$470 million of Canadian dollar denominated intercompany loans. These cross-currency swaps mitigate the exposure to fluctuations in the U.S. dollar-Canadian dollar exchange rate related to the Company’s La Senza operations. The cross-currency swaps require the periodic exchange of fixed rate Canadian dollar interest payments for fixed rate U.S. dollar interest payments as well as exchange of Canadian dollar and U.S. dollar principal payments upon maturity. The cross-currency swaps mature between 2015 and 2018 at the same time as the related loans and are designated as cash flow hedges of foreign currency exchange risk. Changes in the U.S. dollar-Canadian dollar exchange rate and the related swap settlements result in reclassification of amounts from accumulated other comprehensive income (loss) to earnings to completely offset foreign currency transaction gains and losses recognized on the intercompany loans.

The following table provides a summary of the fair value and balance sheet classification of the derivative financial instruments designated as foreign exchange cash flow hedges as of January 28, 2012 and January 29, 2011:

	January 28, 2012	January 29, 2011
	(in millions)	
Other Long-term Liabilities	\$ 60	\$ 57

The following table provides a summary of the pre-tax financial statement effect of the gains and losses on the Company’s derivative instruments designated as foreign exchange cash flow hedges for 2011 and 2010:

	Location	2011	2010
		(in millions)	
Gain (Loss) Recognized in Other Comprehensive Income (Loss)	Other Comprehensive Income (Loss)	\$ (3)	\$ (23)
(Gain) Loss Reclassified from Accumulated Other Comprehensive Income (Loss) into Other Income (Loss) (a)	Other Income (Loss)	—	31

- (a) Represents reclassification of amounts from accumulated other comprehensive income (loss) to earnings to completely offset foreign currency transaction gains and losses recognized on the intercompany loans. No ineffectiveness was associated with these foreign exchange cash flow hedges.

Interest Rate Risk

Interest Rate Designated Cash Flow Hedges

In March 2010, the Company prepaid a \$200 million term loan. In conjunction with the term loan pre-payment, the Company terminated participating interest rate swap arrangements totaling \$200 million resulting in a realized loss of \$10 million. This realized loss was expensed in Interest Expense on the 2010 Consolidated Statement of Income as there are no future cash flows associated with these terminated swap arrangements.

Interest Rate Designated Fair Value Hedges

The Company has the following interest rate swap arrangements related to certain outstanding debt:

	Notional Amount	
	January 28, 2012	January 29, 2011
	(in millions)	
2012 Notes	\$ —	\$ 57
2014 Notes	—	213
2017 Notes	175	325
Total	\$ 175	\$ 595

The interest rate swap arrangements effectively convert the fixed interest rate on the related debt to a variable interest rate based on a LIBOR plus a fixed interest rate.

The swap arrangements are designated as fair value hedges. The changes in the fair value of the interest rate swaps have an equal and offsetting impact to the carrying value of the debt on the balance sheet. The differential to be paid or received on the interest rate swap arrangements is accrued and recognized as an adjustment to interest expense.

In July 2011, the Company terminated interest rate designated fair value hedges related to the 2012 Notes with a notional amount of \$57 million. In settlement of these hedges, the Company received \$1 million. In August 2011, the Company terminated interest rate designated fair value hedges related to the 2014 Notes with a notional amount of \$213 million. In settlement of these hedges, the Company received \$9 million. In September 2011, the Company terminated interest rate designated fair value hedges related to the 2017 Notes with a notional amount of \$150 million. In settlement of these hedges, the Company received \$12 million. The settlement amounts were equal to the fair value adjustment to the respective Notes and are amortized as a reduction to interest expense through the maturity date of the respective Notes.

The following table provides a summary of the fair value and balance sheet classification of the derivative financial instruments designated as interest rate fair value hedges as of January 28, 2012 and January 29, 2011:

	January 28, 2012	January 29, 2011
	(in millions)	
Other Assets	\$ 14	\$ 3

14. Fair Value Measurements

The following table provides a summary of the carrying value and fair value of long-term debt as of January 28, 2012 and January 29, 2011:

	January 28, 2012	January 29, 2011
	(in millions)	
Carrying Value	\$ 3,538	\$ 2,507
Fair Value (a)	3,849	2,638

(a) The estimated fair value of the Company's publicly traded debt is based on quoted market prices. The estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The following table provides a summary of assets and liabilities measured in the consolidated financial statements at fair value on a recurring basis as of January 28, 2012 and January 29, 2011:

	Level 1	Level 2	Level 3	Total
	(in millions)			
As of January 28, 2012				
Assets:				
Cash and Cash Equivalents	\$ 935	\$ —	\$ —	\$ 935
Interest Rate Designated Fair Value Hedges	—	14	—	14
Liabilities:				
Cross-currency Cash Flow Hedges	—	60	—	60
Lease Guarantees	—	—	4	4
As of January 29, 2011				
Assets:				
Cash and Cash Equivalents	\$ 1,130	\$ —	\$ —	\$ 1,130
Interest Rate Designated Fair Value Hedges	—	3	—	3
Liabilities:				
Cross-currency Cash Flow Hedges	—	57	—	57
Lease Guarantees	—	—	6	6

The Company's Level 2 fair value measurements are measured using market approach valuation techniques. The primary inputs to these techniques include benchmark interest rates and foreign currency exchange rates, as applicable to the underlying instruments.

The Company's Level 3 fair value measurements are measured using income approach valuation techniques. The primary inputs to these techniques include the guaranteed lease payments, discount rates, as well as the Company's assessment of the risk of default on guaranteed leases.

Management believes that the carrying values of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity.

The following table provides a reconciliation of the Company's lease guarantees measured at fair value on a recurring basis using unobservable inputs (Level 3) for 2011 and 2010:

	2011	2010
	(in millions)	
Beginning Balance	\$ 6	\$ 9
Change in Estimated Fair Value Reported in Earnings	(2)	(3)
Ending Balance	<u>\$ 4</u>	<u>\$ 6</u>

The Company's lease guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of certain businesses. The fair value of these lease guarantees is impacted by economic conditions, probability of rent obligation payments, period of obligation as well as the discount rate utilized. For additional information, see Note 17, "Commitments and Contingencies."

15. Comprehensive Income

Comprehensive Income consists of gains and losses on derivative instruments and foreign currency translation adjustments. The cumulative gains and losses on these items are included in Accumulated Other Comprehensive Income in the Consolidated Balance Sheets and Consolidated Statements of Shareholders' Equity.

The following table provides the rollforward of additional detail regarding the composition of accumulated other comprehensive income as of January 28, 2012 and January 29, 2011:

	Foreign Currency Translation	Cash Flow Hedges (in millions)	Accumulated Other Comprehensive Income
Balance as of January 30, 2010	\$ (6)	\$ (9)	\$ (15)
Current-period Other Comprehensive Income	(1)	17	16
Balance as of January 29, 2011	(7)	8	1
Current-period Other Comprehensive Income	(1)	—	(1)
Balance as of January 28, 2012	<u>\$ (8)</u>	<u>\$ 8</u>	<u>\$ —</u>

The components of accumulated other comprehensive income above are presented net of tax as applicable.

16. Leases

The Company is committed to noncancelable leases with remaining terms generally from one to ten years. A substantial portion of the Company's leases consist of store leases generally with an initial term of ten years. Annual store rent consists of a fixed minimum amount and/or contingent rent based on a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering certain operating costs such as common area maintenance, utilities, insurance and taxes. These additional payments are excluded from the table below.

The following table provides rent expense for 2011, 2010 and 2009:

	2011	2010 (in millions)	2009
Store Rent:			
Fixed Minimum	\$ 437	\$ 417	\$ 407
Contingent	50	44	40
Total Store Rent	<u>487</u>	<u>461</u>	<u>447</u>
Office, Equipment and Other	62	60	61
Gross Rent Expense	<u>549</u>	<u>521</u>	<u>508</u>
Sublease Rental Income	(3)	(3)	(2)
Total Rent Expense	<u>\$ 546</u>	<u>\$ 518</u>	<u>\$ 506</u>

The following table provides the Company's minimum rent commitments under noncancelable operating leases in the next five fiscal years and the remaining years thereafter:

Fiscal Year (in millions) (a)	
2012	\$ 493
2013	463
2014	434
2015	381
2016	329
Thereafter	1,020

(a) Excludes additional payments covering taxes, common area costs and certain other expenses generally required by store lease terms.

The Company's future sublease income under noncancelable subleases was \$9 million as of January 28, 2012, which included \$2 million of rent commitments related to disposed businesses under master lease arrangements.

17. Commitments and Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes, insurance, regulatory and other matters arising out of the normal course of business. Actions filed against the Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. Management believes that the ultimate liability arising from such claims and contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

Guarantees

In connection with the disposition of certain businesses, the Company has remaining guarantees of approximately \$78 million related to lease payments of Express, Limited Stores, Abercrombie & Fitch, Dick's Sporting Goods (formerly Galyan's) and New York & Company under the current terms of noncancelable leases expiring at various dates through 2017. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the businesses. In certain instances, the Company's guarantee may remain in effect if the term of a lease is extended.

The Company's guarantees related to Express, Limited Stores and New York & Company require fair value accounting in accordance with GAAP in effect at the time of these divestitures. The guaranteed lease payments related to Express, Limited Stores and New York & Company totaled \$49 million as of January 28, 2012 and \$65 million as of January 29, 2011. The estimated fair value of these guarantee obligations was \$4 million as of January 28, 2012 and \$6 million as of January 29, 2011, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company's guarantees related to Abercrombie & Fitch and Dick's Sporting Goods (formerly Galyan's) are not subject to fair value accounting, but require that a loss be accrued when probable and reasonably estimable based on GAAP in effect at the time of these divestitures. The Company had no liability recorded with respect to any of the guarantee obligations as it concluded that payments under these guarantees were not probable as of January 28, 2012 and January 29, 2011.

18. Retirement Benefits

The Company sponsors a tax-qualified defined contribution retirement plan and a non-qualified supplemental retirement plan for substantially all of its associates within the United States of America. Participation in the tax-qualified plan is available to associates who meet certain age and service requirements. Participation in the non-qualified plan is available to associates who meet certain age, service, job level and compensation requirements.

The qualified plan permits participating associates to elect contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible annual compensation and years of service. Associate contributions and Company matching contributions vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service. Total expense recognized related to the qualified plan was \$51 million for 2011, \$49 million for 2010 and \$46 million for 2009.

The non-qualified plan is an unfunded plan which provides benefits beyond the Internal Revenue Code limits for qualified defined contribution plans. The plan permits participating associates to elect contributions up to a maximum percentage of eligible compensation. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible compensation and years of service. The plan also permits participating associates to defer additional compensation up to a maximum amount which the Company does not match. Associates' accounts are credited with interest using a rate determined by the Company. Associate contributions and the related interest vest immediately. Company contributions, along with related interest, are subject to vesting based on years of service. Associates may elect in-service distributions for the unmatched additional deferred compensation component only. The remaining vested portion of associates' accounts in the plan will be distributed upon termination of employment in either a lump sum or in annual installments over a specified period of up to 10 years.

The following table provides the Company's annual activity for this plan and year-end liability, included in Other Long-term Liabilities on the Consolidated Balance Sheets, as of January 28, 2012 and January 29, 2011:

	January 28, 2012	January 29, 2011
	(in millions)	
Balance at Beginning of Year	\$ 193	\$ 168
Contributions:		
Associate	12	12
Company	15	15
Interest	11	12
Distributions	(17)	(14)
Balance at End of Year	\$ 214	\$ 193

Total expense recognized related to the non-qualified plan was \$26 million for 2011, \$27 million for 2010 and \$20 million for 2009.

19. Shareholders' Equity

Common Stock Repurchases

Under the authority of the Company's Board of Directors, the Company repurchased shares of its common stock under the following repurchase programs during the fiscal years 2011, 2010 and 2009:

Repurchase Program	Amount Authorized (in millions)	Shares Repurchased			Amount Repurchased			Average Stock Price of Shares Repurchased within Program
		2011	2010	2009	2011	2010	2009	
		(in thousands)			(in millions)			
November 2011 (a)	\$ 250	2,116	NA	NA	\$ 85	NA	NA	\$ 40.50
May 2011	500	13,293	NA	NA	500	NA	NA	37.59
March 2011	500	13,695	NA	NA	500	NA	NA	36.49
November 2010 (b)	200	3,431	1,907	NA	109	\$ 60	NA	31.68
March 2010 (c)	200	NA	5,714	NA	NA	147	NA	25.69
Total		32,535	7,621		\$ 1,194	\$ 207		

- (a) The November 2011 repurchase program had \$165 million remaining as of January 28, 2012.
- (b) The November 2010 repurchase program had \$31 million remaining at the time it was cancelled in conjunction with the approval of the March 2011 repurchase program.
- (c) The March 2010 repurchase program had \$53 million remaining at the time it was cancelled in conjunction with the approval of the November 2010 repurchase program.
- NA Not applicable

For the November 2011 repurchase program, \$4 million of share repurchases were reflected in Accounts Payable on the 2011 Consolidated Balance Sheet and were settled in February 2012. There were no share repurchases reflected in Accounts Payable as of January 29, 2011.

Subsequent to January 28, 2012, the Company completed the November 2011 repurchase program by repurchasing an additional 4 million shares of common stock for \$165 million under the program. In addition, the Company's Board of Directors approved a new \$500 million share repurchase program in February 2012 ("February 2012 repurchase program").

Dividends

Under the authority and declaration of the Board of Directors, the Company paid the following dividends during the fiscal years 2011, 2010 and 2009:

	Ordinary Dividends	Special Dividends (per share)	Total Dividends	Total Paid (in millions)
2011				
Fourth Quarter	\$ 0.20	\$ 2.00	\$ 2.20	\$ 653
Third Quarter	0.20	—	0.20	60
Second Quarter	0.20	1.00	1.20	367
First Quarter	0.20	—	0.20	64
2011 Total	<u>\$ 0.80</u>	<u>\$ 3.00</u>	<u>\$ 3.80</u>	<u>\$ 1,144</u>
2010				
Fourth Quarter	\$ 0.15	\$ 3.00	\$ 3.15	\$ 1,017
Third Quarter	0.15	—	0.15	49
Second Quarter	0.15	—	0.15	49
First Quarter	0.15	1.00	1.15	373
2010 Total	<u>\$ 0.60</u>	<u>\$ 4.00</u>	<u>\$ 4.60</u>	<u>\$ 1,488</u>
2009				
Fourth Quarter	\$ 0.15	\$ —	\$ 0.15	\$ 49
Third Quarter	0.15	—	0.15	48
Second Quarter	0.15	—	0.15	48
First Quarter	0.15	—	0.15	48
2009 Total	<u>\$ 0.60</u>	<u>\$ —</u>	<u>\$ 0.60</u>	<u>\$ 193</u>

Subsequent to January 28, 2012, the Board of Directors declared the first quarter 2012 common stock dividend of \$0.25 per share payable on March 9, 2012 to shareholders of record at the close of business on February 24, 2012. This is a \$0.05 increase from the 2011 quarterly dividends.

Treasury Stock Retirement

In January 2010, the Company retired 201 million shares of its treasury stock. The retirement resulted in a reduction of \$4.641 billion in Treasury Stock, \$101 million in the par value of Common Stock, \$1.545 billion in Paid-in Capital and \$2.995 billion in Retained Earnings.

In December 2011, the Company retired 39 million shares of its treasury stock. The retirement resulted in a reduction of \$1.341 billion in Treasury Stock, \$19 million in the par value of Common Stock, \$286 million in Paid-in Capital and \$1.036 billion in Retained Earnings.

20. Share-based Compensation

Plan Summary

In 2011, the Company's shareholders approved the 2011 Stock Option and Performance Incentive Plan ("2011 Plan"). The 2011 Plan replaces the 2009 Restatement of the 1993 Stock Option and Performance Incentive Plan. The plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, performance-based restricted stock, performance units and unrestricted shares. The Company grants stock options at a price equal to the fair market value of the stock on the date of grant. Stock options have a maximum term of ten years. Stock options generally vest ratably over 3 to 4 years. Restricted stock generally vests (the restrictions lapse) at the end of a three year period.

The Limited Brands, Inc. Stock Award and Deferred Compensation Plan for Non-Associate Directors provides for an annual stock retainer for non-associate directors. The stock issued in conjunction with this plan has no restrictions.

Under the Company's plans, approximately 133 million options, restricted and unrestricted shares have been authorized to be granted to employees and directors. Approximately 19 million options and shares were available for grant as of January 28, 2012.

In 2011, the Company's Board of Directors declared special dividends of \$3 per share. For additional information, see Note 19, "Shareholders' Equity." In accordance with the anti-dilutive provisions of the Stock Plan, the Company adjusted both the exercise price and the number of share-based awards outstanding as of the record date of the special dividends. The aggregate fair value, the aggregate intrinsic value and the ratio of the exercise price to the market price were approximately equal immediately before and after the adjustments. Therefore, no compensation expense was recognized.

Stock Options

The following table provides the Company's stock option activity for the fiscal year ended January 28, 2012:

	Number of Shares (in thousands)	Weighted Average Option Price Per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of January 29, 2011	12,450	\$ 16.01		
Granted	1,597	31.71		
Exercised	(4,999)	15.13		
Cancelled	(612)	19.93		
Adjustment for Special Dividends	947			
Outstanding as of January 28, 2012	9,383	\$ 17.26	5.74	\$ 227,033
Vested and Expected to Vest as of January 28, 2012 (a)	9,119	16.97	5.65	223,369
Options Exercisable as of January 28, 2012	5,198	15.03	3.86	137,413

(a) The number of options expected to vest includes an estimate of expected forfeitures.

Intrinsic value for stock options is the difference between the current market value of the Company's stock and the option strike price. The total intrinsic value of options exercised was \$100 million for 2011, \$57 million for 2010 and \$3 million for 2009.

The total fair value at grant date of option awards vested was \$8 million for 2011, \$8 million for 2010 and \$12 million for 2009.

The Company's total unrecognized compensation cost, net of estimated forfeitures, related to nonvested options was \$14 million as of January 28, 2012. This cost is expected to be recognized over a weighted-average period of 2.6 years.

The weighted-average estimated fair value of stock options granted was \$9.35 per share for 2011, \$7.51 per share for 2010 and \$1.88 per share for 2009.

Cash received from stock options exercised was \$75 million for 2011, \$88 million for 2010 and \$10 million for 2009. Tax benefits realized from tax deductions associated with stock options exercised were \$34 million for 2011, \$20 million for 2010 and \$1 million for 2009.

The Company uses the Black-Scholes option-pricing model for valuation of options granted to employees and directors. The Company's determination of the fair value of options is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards and projected employee stock option exercise behaviors.

The following table contains the weighted-average assumptions used during 2011, 2010 and 2009:

	2011	2010	2009
Expected Volatility	48%	49%	45%
Risk-free Interest Rate	1.9%	2.3%	1.4%
Dividend Yield	4.1%	3.3%	6.8%
Expected Life (in years)	5.0	4.5	3.8

The majority of the Company's stock-based compensation awards are granted on an annual basis in the first quarter of each year. The expected volatility assumption is based on the Company's analysis of historical volatility. The risk-free interest rate

assumption is based upon the average daily closing rates during the period for U.S. treasury notes that have a life which approximates the expected life of the option. The dividend yield assumption is based on the Company's history and expectation of dividend payouts in relation to the stock price at the grant date. The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding.

Restricted Stock

The following table provides the Company's restricted stock activity for the fiscal year ended January 28, 2012:

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Unvested as of January 29, 2011	10,442	\$ 11.86
Granted	2,508	29.34
Vested	(2,604)	12.42
Cancelled	(718)	17.33
Adjustment for Special Dividends	804	NA
Unvested as of January 28, 2012	<u>10,432</u>	<u>14.68</u>

NA Not applicable

The Company's total intrinsic value of restricted stock vested was \$83 million for 2011, \$40 million for 2010 and \$14 million for 2009.

The Company's total fair value at grant date of awards vested was \$32 million for 2011 and \$29 million for both 2010 and 2009. Fair value of restricted stock awards is based on the market value of an unrestricted share on the grant date adjusted for anticipated dividend yields.

As of January 28, 2012, there was \$61 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted stock. That cost is expected to be recognized over a weighted-average period of 2.3 years.

Tax benefits realized from tax deductions associated with restricted stock vested were \$31 million for 2011, \$15 million for 2010 and \$4 million for 2009.

Income Statement Impact

The following table provides share-based compensation expense included in the Consolidated Statements of Income for 2011, 2010 and 2009:

	2011	2010	2009
	(in millions)		
Costs of Goods Sold, Buying and Occupancy	\$ 14	\$ 17	\$ 12
General, Administrative and Store Operating Expenses	37	47	28
Total Share-based Compensation Expense	<u>\$ 51</u>	<u>\$ 64</u>	<u>\$ 40</u>

Share-based compensation expense is based on awards that are ultimately expected to vest. The Company estimates forfeitures at the time of grant and adjusts, if necessary, in subsequent periods based on historical experience and expected future termination rates.

The tax benefit associated with share-based compensation was \$17 million for 2011, \$21 million for 2010 and \$13 million for 2009.

21. Segment Information

The Company has two reportable segments: Victoria's Secret and Bath & Body Works. Prior to the fourth quarter of 2011, the Victoria's Secret reportable segment consisted of the Victoria's Secret and La Senza operating segments which were aggregated in accordance with the authoritative guidance included in ASC Topic 280, *Segment Reporting*. In the fourth quarter of 2011, the Company ceased aggregating La Senza with Victoria's Secret. While this reporting change did not impact the Company's

consolidated results, segment data for previous years has been recast to be consistent with the current year presentation throughout the financial statements and the accompanying notes.

The Victoria's Secret segment sells women's intimate and other apparel, personal care and beauty products under the Victoria's Secret and Victoria's Secret Pink brand names. Victoria's Secret merchandise is sold through retail stores, its website, www.VictoriasSecret.com, and its catalogue.

The Bath & Body Works segment sells personal care, beauty and home fragrance products under the Bath & Body Works, C.O. Bigelow, White Barn Candle Company and other brand names. Bath & Body Works merchandise is sold at retail stores and through its website, www.BathandBodyWorks.com.

Other consists of the following:

- Mast Global, a merchandise sourcing and production function serving our internal brands;
- International retail, franchise and wholesale operations, which include the company-owned La Senza, Bath & Body Works and Victoria's Secret stores in Canada;
- Henri Bendel, operator of 19 specialty stores, which features accessories and personal care products; and
- Corporate functions including non-core real estate, equity investments and other governance functions such as treasury and tax.

The following table provides the Company's segment information as of and for the fiscal years ended January 28, 2012, January 29, 2011 and January 30, 2010. As discussed above, certain reclassifications have been made to amounts for prior periods to conform to the current year's presentation.

	Victoria's Secret	Bath & Body Works	Other	Total
	(in millions)			
<u>January 28, 2012</u>				
Net Sales	\$ 6,121	\$ 2,674	\$ 1,569	\$ 10,364
Depreciation and Amortization	142	52	162	356
Operating Income (Loss) (a)	1,081	513	(356)	1,238
Total Assets	2,346	1,273	2,489	6,108
Capital Expenditures	161	60	205	426
<u>January 29, 2011</u>				
Net Sales	\$ 5,520	\$ 2,515	\$ 1,578	\$ 9,613
Depreciation and Amortization	135	55	169	359
Operating Income (Loss)	888	464	(68)	1,284
Total Assets	2,357	1,330	2,764	6,451
Capital Expenditures	82	39	153	274
<u>January 30, 2010</u>				
Net Sales	\$ 4,884	\$ 2,383	\$ 1,365	\$ 8,632
Depreciation and Amortization	130	58	169	357
Operating Income (Loss) (a)	578	358	(68)	868
Total Assets	2,471	1,350	3,352	7,173
Capital Expenditures	105	24	73	202

- (a) Operating Loss for the Other segment includes the effect of the following items:
- (i) In 2011, a \$232 million impairment charge related to goodwill and other intangible assets for our La Senza business; a \$111 million gain related to the divestiture of 51% of our third-party apparel sourcing business; \$163 million of expense related to the charitable contribution of our remaining shares of Express, Inc. to The Limited Brands Foundation; and \$24 million of restructuring expenses at La Senza.
 - (ii) In 2009, a \$9 million pre-tax gain, \$14 million net of related tax benefits, associated with the reversal of an accrued contractual liability as a result of the divestiture of a joint venture.

The Company's international sales, consisting of La Senza, Victoria's Secret Canada and Bath & Body Works Canada retail sales; non-U.S. franchise, license and wholesale operations; and direct sales shipped internationally, totaled \$943 million in 2011, \$762 million in 2010 and \$638 million in 2009. The Company's internationally based long-lived assets were \$277 million as of January 28, 2012 and \$471 million as of January 29, 2011.

22. Quarterly Financial Data (Unaudited)

The following table provides summarized quarterly financial data for 2011:

	Fiscal Quarter Ended			
	April 30, 2011 (b)	July 30, 2011 (c)	October 29, 2011 (d)	January 28, 2012 (e)
	(in millions except per share data)			
Net Sales	\$ 2,217	\$ 2,458	\$ 2,174	\$ 3,515
Gross Profit	842	902	785	1,528
Operating Income	217	194	186	641
Income Before Income Taxes	249	276	122	580
Net Income	165	231	94	360
Net Income Per Basic Share (a)	\$ 0.52	\$ 0.76	\$ 0.32	\$ 1.21
Net Income Per Diluted Share (a)	\$ 0.50	\$ 0.73	\$ 0.31	\$ 1.17

- (a) Due to changes in stock prices during the year and timing of issuances and repurchases of shares, the cumulative total of quarterly net income per share amounts may not equal the net income per share for the year.
- (b) Includes the effect of the following items:
- (i) A pre-tax gain of \$86 million related to the sale of shares of Express, Inc. common stock;
 - (ii) A pre-tax expense of \$50 million related to a pledge to The Limited Brands Foundation; and
 - (iii) A tax benefit of \$11 million related to the favorable resolution of certain discrete income tax matters.
- (c) Includes the effect of a non-taxable gain of \$147 million and pre-tax expense of \$113 million associated with the charitable contribution of Express, Inc. common stock to The Limited Brands Foundation.
- (d) Includes the effect of a tax benefit of \$17 million related to the favorable resolution of certain discrete income tax matters.
- (e) Includes the effect of the following items:
- (i) A pre-tax charge of \$232 million related to the impairment of La Senza goodwill and other intangible assets;
 - (ii) A pre-tax gain of \$111 million related to the sale of 51% of the third-party apparel sourcing business;
 - (iii) A pre-tax expense of \$24 million relating to restructuring expenses at La Senza; and
 - (iv) A tax benefit of \$28 million related to certain discrete income tax matters.

The following table provides summarized quarterly financial data for 2010:

	Fiscal Quarter Ended			
	May 1, 2010 (b)	July 31, 2010 (c)	October 30, 2010	January 29, 2011 (d)
	(in millions except per share data)			
Net Sales	\$ 1,932	\$ 2,242	\$ 1,983	\$ 3,456
Gross Profit	694	778	714	1,445
Operating Income	185	236	149	714
Income Before Income Taxes	187	244	101	719
Net Income	113	178	61	453
Net Income Per Basic Share (a)	\$ 0.35	\$ 0.55	\$ 0.19	\$ 1.41
Net Income Per Diluted Share (a)	\$ 0.34	\$ 0.54	\$ 0.18	\$ 1.36

- (a) Due to changes in stock prices during the year and timing of issuances and repurchases of shares, the cumulative total of quarterly net income per share amounts may not equal the net income per share for the year.
- (b) Includes the effect of a pre-tax gain of \$49 million related to a \$57 million cash distribution from Express.
- (c) Includes the effect of the following items:
- (i) A pre-tax gain of \$52 million related to the initial public offering of Express, Inc. including the sale of a portion of the company's shares;
 - (ii) A pre-tax loss of \$25 million associated with the early retirement of portions of the 2012 and 2014 notes; and
 - (iii) A pre-tax gain of \$20 million associated with the sale of the remaining 25% ownership interest in Limited Stores.
- (d) Includes the effect of the following items:
- (i) A pre-tax gain of \$45 million related to the sale of Express, Inc. common stock; and
 - (ii) A pre-tax gain of \$7 million related to a dividend payment from Express, Inc.

23. Subsequent Events

In February 2012, the Company issued \$1 billion of notes due in February 2022 utilizing an existing shelf registration. For additional information, see Note 12, "Long-term Debt."

In February 2012, the Company completed the November 2011 repurchase program and the Company's Board of Directors approved a new \$500 million share repurchase program. For additional information, see Note 19, "Shareholders' Equity."

24. Supplemental Guarantor Financial Information

The Company's 2019 Notes, 2020 Notes, 2021 Notes and 2022 Notes (issued subsequent to January 28, 2012), are jointly and severally guaranteed on a full and unconditional basis by certain of the Company's 100% owned subsidiaries. The Company is a holding company and its most significant assets are the stock of its subsidiaries. The guarantors represent: (a) substantially all of the sales of the Company's domestic subsidiaries, (b) more than 90% of the assets owned by the Company's domestic subsidiaries, other than real property, certain other assets and intercompany investments and balances, and (c) more than 95% of the accounts receivable and inventory directly owned by the Company's domestic subsidiaries.

The following supplemental financial information sets forth for the Company and its guarantor and non-guarantor subsidiaries: the Condensed Consolidating Balance Sheets as of January 28, 2012 and January 29, 2011 and the Condensed Consolidating Statements of Income and Cash Flows for the years ended January 28, 2012, January 29, 2011 and January 30, 2010.

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
(in millions)

	January 28, 2012				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ —	\$ 371	\$ 564	\$ —	\$ 935
Accounts Receivable, Net	—	142	76	—	218
Inventories	—	822	175	—	997
Deferred Income Taxes	—	33	18	—	51
Other	—	109	58	—	167
Total Current Assets	—	1,477	891	—	2,368
Property and Equipment, Net	—	911	733	—	1,644
Goodwill	—	1,318	12	—	1,330
Trade Names and Other Intangible Assets, Net	—	410	85	—	495
Net Investments in and Advances to/ from Consolidated Affiliates	3,531	13,928	518	(17,977)	—
Other Assets	199	43	677	(648)	271
Total Assets	<u>\$ 3,730</u>	<u>\$ 18,087</u>	<u>\$ 2,916</u>	<u>\$ (18,625)</u>	<u>\$ 6,108</u>
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts Payable	\$ 4	\$ 312	\$ 224	\$ —	\$ 540
Accrued Expenses and Other	51	412	307	—	770
Current Portion of Long-term Debt	57	—	—	—	57
Income Taxes	1	150	8	—	159
Total Current Liabilities	113	874	539	—	1,526
Deferred Income Taxes	(6)	10	179	—	183
Long-term Debt	3,481	597	36	(633)	3,481
Other Long-term Liabilities	6	582	207	(15)	780
Total Equity	136	16,024	1,955	(17,977)	138
Total Liabilities and Equity	<u>\$ 3,730</u>	<u>\$ 18,087</u>	<u>\$ 2,916</u>	<u>\$ (18,625)</u>	<u>\$ 6,108</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
(in millions)

	January 29, 2011				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ —	\$ 701	\$ 429	\$ —	\$ 1,130
Accounts Receivable, Net	1	189	42	—	232
Inventories	—	830	202	—	1,032
Deferred Income Taxes	—	30	5	—	35
Other	—	117	47	(1)	163
Total Current Assets	1	1,867	725	(1)	2,592
Property and Equipment, Net	—	936	674	—	1,610
Goodwill	—	1,318	133	—	1,451
Trade Names and Other Intangible Assets, Net	—	411	181	—	592
Net Investments in and Advances to/ from Consolidated Affiliates	11,835	28,045	14,486	(54,366)	—
Other Assets	176	55	645	(670)	206
Total Assets	<u>\$ 12,012</u>	<u>\$ 32,632</u>	<u>\$ 16,844</u>	<u>\$ (55,037)</u>	<u>\$ 6,451</u>
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts Payable	\$ —	\$ 312	\$ 233	\$ —	\$ 545
Accrued Expenses and Other	29	420	316	—	765
Income Taxes	(3)	167	30	—	194
Total Current Liabilities	26	899	579	—	1,504
Deferred Income Taxes	(6)	28	180	—	202
Long-term Debt	2,507	608	47	(655)	2,507
Other Long-term Liabilities	12	576	188	(15)	761
Total Equity	9,473	30,521	15,850	(54,367)	1,477
Total Liabilities and Equity	<u>\$ 12,012</u>	<u>\$ 32,632</u>	<u>\$ 16,844</u>	<u>\$ (55,037)</u>	<u>\$ 6,451</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF INCOME
(in millions)

	2011				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Sales	\$ —	\$ 9,570	\$ 3,334	\$ (2,540)	\$ 10,364
Costs of Goods Sold, Buying and Occupancy	—	(5,943)	(2,782)	2,418	(6,307)
Gross Profit	—	3,627	552	(122)	4,057
General, Administrative and Store Operating Expenses	(5)	(2,297)	(517)	121	(2,698)
Impairment of Goodwill and Other Intangible Assets	—	—	(232)	—	(232)
Gain on Divestiture of Third-party Apparel Sourcing Business	—	6	105	—	111
Operating Income (Loss)	(5)	1,336	(92)	(1)	1,238
Interest Expense	(245)	(25)	(12)	36	(246)
Other Income (Loss)	251	(247)	244	(13)	235
Income (Loss) Before Income Taxes	1	1,064	140	22	1,227
Provision (Benefit) for Income Taxes	2	324	51	—	377
Equity in Earnings, Net of Tax	851	356	207	(1,414)	—
Net Income (Loss)	<u>\$ 850</u>	<u>\$ 1,096</u>	<u>\$ 296</u>	<u>\$ (1,392)</u>	<u>\$ 850</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	2011				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Income (Loss)	\$ 850	\$ 1,096	\$ 296	\$ (1,392)	\$ 850
Other Comprehensive Income (Loss), Net of Tax					
Reclassification of Cash Flow Hedges to Earnings	3	—	—	—	3
Foreign Currency Translation	—	—	(1)	—	(1)
Unrealized Loss on Cash Flow Hedges	—	—	(3)	—	(3)
Total Other Comprehensive Income (Loss), Net of Tax	3	—	(4)	—	(1)
Total Comprehensive Income	<u>\$ 853</u>	<u>\$ 1,096</u>	<u>\$ 292</u>	<u>\$ (1,392)</u>	<u>\$ 849</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF INCOME
(in millions)

	2010				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Sales	\$ —	\$ 9,005	\$ 2,587	\$ (1,979)	\$ 9,613
Costs of Goods Sold, Buying and Occupancy	—	(5,655)	(2,161)	1,834	(5,982)
Gross Profit	—	3,350	426	(145)	3,631
General, Administrative and Store Operating Expenses	(4)	(2,212)	(286)	161	(2,341)
Impairment of Goodwill and Other Intangible Assets	—	(6)	—	—	(6)
Operating Income (Loss)	(4)	1,132	140	16	1,284
Interest Expense	(207)	—	(13)	12	(208)
Other Income (Loss)	(26)	15	196	(10)	175
Income (Loss) Before Income Taxes	(237)	1,147	323	18	1,251
Provision (Benefit) for Income Taxes	1	338	107	—	446
Equity in Earnings, Net of Tax	1,043	862	313	(2,218)	—
Net Income (Loss)	\$ 805	\$ 1,671	\$ 529	\$ (2,200)	\$ 805

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	2010				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Income (Loss)	\$ 805	\$ 1,671	\$ 529	\$ (2,200)	\$ 805
Other Comprehensive Income (Loss), Net of Tax					
Reclassification of Cash Flow Hedges to Earnings	10	—	31	—	41
Foreign Currency Translation	—	—	(1)	—	(1)
Unrealized Loss on Cash Flow Hedges	(1)	—	(23)	—	(24)
Total Other Comprehensive Income (Loss), Net of Tax	9	—	7	—	16
Total Comprehensive Income	\$ 814	\$ 1,671	\$ 536	\$ (2,200)	\$ 821

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF INCOME
(in millions)

	2009				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Sales	\$ —	\$ 8,205	\$ 2,314	\$ (1,887)	\$ 8,632
Costs of Goods Sold, Buying and Occupancy	—	(5,445)	(1,907)	1,748	(5,604)
Gross Profit	—	2,760	407	(139)	3,028
General, Administrative and Store Operating Expenses	(2)	(2,043)	(262)	141	(2,166)
Impairment of Goodwill and Other Intangible Assets	—	—	(3)	—	(3)
Net Gain on Joint Venture	9	—	—	—	9
Operating Income (Loss)	7	717	142	2	868
Interest Expense	(234)	—	(13)	10	(237)
Other Income (Loss)	—	12	16	(9)	19
Income (Loss) Before Income Taxes	(227)	729	145	3	650
Provision (Benefit) for Income Taxes	—	221	(19)	—	202
Equity in Earnings, Net of Tax	675	612	221	(1,508)	—
Net Income (Loss)	<u>\$ 448</u>	<u>\$ 1,120</u>	<u>\$ 385</u>	<u>\$ (1,505)</u>	<u>\$ 448</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	2009				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Income (Loss)	\$ 448	\$ 1,120	\$ 385	\$ (1,505)	\$ 448
Other Comprehensive Income (Loss), Net of Tax					
Reclassification of Cash Flow Hedges to Earnings	14	—	57	—	71
Foreign Currency Translation	—	—	(2)	—	(2)
Unrealized (Loss) / Gain on Cash Flow Hedges	4	—	(60)	—	(56)
Total Other Comprehensive Income (Loss), Net of Tax	18	—	(5)	—	13
Total Comprehensive Income	<u>\$ 466</u>	<u>\$ 1,120</u>	<u>\$ 380</u>	<u>\$ (1,505)</u>	<u>\$ 461</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(in millions)

	2011				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	\$ 73	\$ 978	\$ 215	\$ —	\$ 1,266
Investing Activities:					
Capital Expenditures	—	(219)	(207)	—	(426)
Proceeds from Divestiture of Third-party Apparel Sourcing Business	—	78	46	—	124
Proceeds from Sale of Express Common Stock	—	—	99	—	99
Net Investments in Consolidated Affiliates	—	(36)	—	36	—
Other Investing Activities	—	—	(23)	—	(23)
Net Cash Provided by (Used for) Investing Activities	—	(177)	(85)	36	(226)
Financing Activities:					
Proceeds from Long-term Debt, Net of Issuance and Discount Costs	981	—	—	—	981
Financing Costs	(7)	—	—	—	(7)
Repurchase of Common Stock	(1,190)	—	—	—	(1,190)
Dividends Paid	(1,144)	—	—	—	(1,144)
Excess Tax Benefits from Share-based Compensation	—	39	9	—	48
Net Financing Activities and Advances to/from Consolidated Affiliates	1,212	(1,170)	(6)	(36)	—
Proceeds From Exercise of Stock Options and Other	75	—	—	—	75
Net Cash Provided by (Used for) Financing Activities	(73)	(1,131)	3	(36)	(1,237)
Effects of Exchange Rate Changes on Cash	—	—	2	—	2
Net Increase (Decrease) in Cash and Cash Equivalents	—	(330)	135	—	(195)
Cash and Cash Equivalents, Beginning of Year	—	701	429	—	1,130
Cash and Cash Equivalents, End of Year	\$ —	\$ 371	\$ 564	\$ —	\$ 935

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(in millions)

	2010				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	\$ (355)	\$ 1,206	\$ 433	\$ —	\$ 1,284
Investing Activities:					
Capital Expenditures	—	(129)	(145)	—	(274)
Proceeds from Sale of Express Common Stock	—	—	73	—	73
Return of Capital from Express	—	—	49	—	49
Proceeds from Divestiture of Limited Stores	—	—	32	—	32
Return of Capital from Limited Stores	—	—	7	—	7
Net Investments in Consolidated Affiliates	—	—	29	(29)	—
Other Investing Activities	—	—	7	—	7
Net Cash Provided by (Used for) Investing Activities	—	(129)	52	(29)	(106)
Financing Activities:					
Proceeds from Long-term Debt, Net of Issuance and Discount Costs	390	—	—	—	390
Payments of Long-term Debt	(645)	—	—	—	(645)
Financing Costs	(14)	—	—	—	(14)
Repurchase of Common Stock	(207)	—	—	—	(207)
Dividends Paid	(1,488)	—	—	—	(1,488)
Excess Tax Benefits from Share-based Compensation	—	15	4	—	19
Net Financing Activities and Advances to/from Consolidated Affiliates	2,231	(1,832)	(428)	29	—
Proceeds From Exercise of Stock Options and Other	88	—	—	—	88
Net Cash Provided by (Used for) Financing Activities	355	(1,817)	(424)	29	(1,857)
Effects of Exchange Rate Changes on Cash	—	—	5	—	5
Net Increase (Decrease) in Cash and Cash Equivalents	—	(740)	66	—	(674)
Cash and Cash Equivalents, Beginning of Year	—	1,441	363	—	1,804
Cash and Cash Equivalents, End of Year	\$ —	\$ 701	\$ 429	\$ —	\$ 1,130

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(in millions)

	2009				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	\$ (279)	\$ 1,004	\$ 449	\$ —	\$ 1,174
Investing Activities:					
Capital Expenditures	—	(120)	(82)	—	(202)
Proceeds from Sale of Assets	—	—	32	—	32
Net Proceeds from the Divestiture of Joint Venture	—	—	9	—	9
Net Investments in Consolidated Affiliates	—	—	(29)	29	—
Other Investing Activities	(3)	—	2	—	(1)
Net Cash Provided by (Used for) Investing Activities	(3)	(120)	(68)	29	(162)
Financing Activities:					
Proceeds from Long-term Debt, Net of Issuance and Discount Costs	473	—	—	—	473
Payments of Long-term Debt	(656)	—	—	—	(656)
Financing Costs	(19)	—	—	—	(19)
Dividends Paid	(193)	—	—	—	(193)
Net Financing Activities and Advances to/from Consolidated Affiliates	669	(381)	(259)	(29)	—
Proceeds From Exercise of Stock Options and Other	8	—	—	—	8
Net Cash Provided by (Used for) Financing Activities	282	(381)	(259)	(29)	(387)
Effects of Exchange Rate Changes on Cash	—	—	6	—	6
Net Increase (Decrease) in Cash and Cash Equivalents	—	503	128	—	631
Cash and Cash Equivalents, Beginning of Year	—	938	235	—	1,173
Cash and Cash Equivalents, End of Year	\$ —	\$ 1,441	\$ 363	\$ —	\$ 1,804

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Information regarding changes in accountants is set forth under the caption “INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS” in our proxy statement to be filed on or about April 12, 2012 for the Annual Meeting of Stockholders to be held May 24, 2012 (the “Proxy Statement”) and is incorporated herein by reference.

There were no disagreements with accountants on accounting and financial disclosure.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were adequate and effective and designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting. Management’s Report on Internal Control Over Financial Reporting as of January 28, 2012 is set forth in Item 8. Financial Statements and Supplementary Data.

Attestation Report of the Registered Public Accounting Firm. The Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting as of January 28, 2012 is set forth in Item 8. Financial Statements and Supplementary Data.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred in the fourth quarter 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

After the Annual Meeting of Stockholders held on May 26, 2011, the Board determined to hold the advisory "say on pay" vote every year.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information regarding our directors is set forth under the captions “ELECTION OF DIRECTORS—Nominees and Directors”, “—Director Independence”, “—Board Leadership Structure”; “—Risk Oversight: Certain Compensation Matters”, “—Information Concerning the Board of Directors”, “—Committees of the Board of Directors”, “—Meetings of the Company's Non-Management Directors”, “—Communications with the Board”, “—Attendance at Annual Meetings”, “—Code of Conduct and Related Person Transaction Policy”, “—Copies of the Company's Code of Conduct, Corporate Governance Principles and Related Person Transaction Policy and Committee Charters”, and “SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT” in the Proxy Statement and is incorporated herein by reference. Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is set forth under the caption “SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE” in the Proxy Statement and is incorporated herein by reference. Information regarding executive officers is set forth herein under the caption “EXECUTIVE OFFICERS OF THE REGISTRANT” in Part I.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is set forth under the caption “COMPENSATION-RELATED MATTERS” in the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information regarding the security ownership of certain beneficial owners and management is set forth under the captions “SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT” in the Proxy Statement and “SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS” in the Proxy Statement and is incorporated herein by reference.

The following table summarizes share and exercise price information about Limited Brands' equity compensation plans as of January 28, 2012.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	20,482,054	\$ 17.26 (2)	18,919,191
Equity compensation plans not approved by security holders	—	—	—
Total	<u>20,482,054</u>	<u>\$ 17.26</u>	<u>18,919,191</u>

- (1) Includes the following plans: Limited Brands, Inc. 2011 Stock Option and Performance Incentive Plan, Limited Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2009 restatement), Limited Brands, Inc. 1996 Stock Plan for Non-Associate Directors and 2003 Stock Award and Deferred Compensation Plan for Non-Associate Directors.
- (2) Does not include outstanding rights to receive Common Stock upon the vesting of restricted shares awards.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information regarding certain relationships and related transactions is set forth under the caption “ELECTION OF DIRECTORS—Nominees and Directors” and “—Director Independence” in the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information regarding principal accountant fees and services is set forth under the captions “INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS—Audit fees”, “—Audit related fees”, “—Tax fees”, “—All other fees” and “—Pre-approval policies and procedures” in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Consolidated Financial Statements

The following consolidated financial statements of Limited Brands, Inc. and subsidiaries are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

Consolidated Statements of Income for the Years Ended January 28, 2012, January 29, 2011 and January 30, 2010

Consolidated Statements of Comprehensive Income for the Years Ended January 28, 2012, January 29, 2011 and January 30, 2010

Consolidated Balance Sheets as of January 28, 2012 and January 29, 2011

Consolidated Statements of Total Equity for the Years Ended January 28, 2012, January 29, 2011 and January 30, 2010

Consolidated Statements of Cash Flows for the Years Ended January 28, 2012, January 29, 2011 and January 30, 2010

Notes to Consolidated Financial Statements

(a) (2) Financial Statement Schedules

Schedules have been omitted because they are not required or are not applicable or because the information required to be set forth therein either is not material or is included in the financial statements or notes thereto.

(a) (3) List of Exhibits

3. Articles of Incorporation and Bylaws.

3.1 Certificate of Incorporation of the Company, dated March 8, 1982 incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.

3.2 Certificate of Amendment of Certificate of Incorporation, dated May 19, 1986 incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.

3.3 Certificate of Amendment of Certificate of Incorporation, dated May 19, 1987 incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.

3.4 Certificate of Amendment of Certificate of Incorporation dated May 31, 2001 incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 5, 2001.

3.5 Amended and Restated Bylaws of the Company incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 3, 2003.

4. Instruments Defining the Rights of Security Holders.

4.1 Conformed copy of the Indenture dated as of March 15, 1988 between the Company and The Bank of New York, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File no. 333-105484) dated May 22, 2003.

4.2 Proposed form of Debt Warrant Agreement for Warrants attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (File no. 33-53366) originally filed with the Securities and Exchange Commission (the "Commission") on October 16, 1992, as amended by Amendment No. 1 thereto, filed with the Commission on February 23, 1993 (the "1993 Form S-3").

4.3 Proposed form of Debt Warrant Agreement for Warrants not attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.3 to the 1993 Form S-3.

- 4.4 Indenture, dated as of February 19, 2003 between the Company and The Bank of New York, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-4 (File no. 333-104633) dated April 18, 2003.
- 4.5 First Supplemental Indenture dated as of May 31, 2005 among the Registrant, The Bank of New York and The Bank of New York Trust Company, N.A. incorporated by reference to Exhibit 4.1.2 to the Company's Registration Statement on Form S-3 (Reg. No. 333-125561) filed June 6, 2005.
- 4.6 Second Supplemental Indenture dated as of July 17, 2007 between the Registrant and The Bank of New York Trust Company, N.A. incorporated by reference to Exhibit 4.1.4 to the Company's Registration Statement on Form S-3 (Reg. No. 333-146420) filed October 1, 2007.
- 4.7 Third Supplemental Indenture dated as of May 4, 2010 between the Registrant and The Bank of New York Mellon Trust Company, N.A. incorporated by reference to Exhibit 4.1.4 to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on November 5, 2010.
- 4.8 Amendment and Restatement Agreement, dated as of July 15, 2011, among Limited Brands, Inc., the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, under the Amended and Restated Five-Year Revolving Credit Agreement dated as of October 6, 2004, as amended and restated as of November 5, 2004, March 22, 2006, August 3, 2007, February 19, 2009 and March 8, 2010, incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q dated August 31, 2011.
- 4.9 Indenture, dated as of June 19, 2009, among Limited Brands, Inc, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated June 24, 2009.
- 4.10 Registration Rights Agreement, dated as of June 19, 2009, among Limited Brands, Inc., the guarantors named therein and J.P. Morgan Securities Inc., as representative of the initial purchasers, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated June 24, 2009.
- 4.11 Fourth Supplemental Indenture dated as of January 29, 2011 between the Registrant and The Bank of New York Mellon Trust Company, N.A. incorporated by reference to Exhibit 4.1.5 to the post-effective amendment to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on November 5, 2010.
- 4.12 Form of Fifth Supplemental Indenture between the Registrant and The Bank of New York Mellon Trust Company, N.A. incorporated by reference to Exhibit 4.1.6 to the post-effective amendment to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on November 5, 2010.
- 10. Material Contracts.
- 10.1 Officers' Benefits Plan incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1989 (the "1988 Form 10-K").**
- 10.2 The Limited Supplemental Retirement and Deferred Compensation Plan incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.**
- 10.3 Form of Indemnification Agreement between the Company and the directors and executive officers of the Company incorporated by reference to Exhibit 10.4 to the 1998 Form 10-K.**
- 10.4 Supplemental schedule of directors and executive officers who are parties to an Indemnification Agreement incorporated by reference to Exhibit 10.5 to the 1998 Form 10-K.**
- 10.5 The 1993 Stock Option and Performance Incentive Plan of the Company, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 (File No. 33-49871).**
- 10.6 Limited Brands, Inc. (formerly The Limited, Inc.) 1996 Stock Plan for Non-Associate Directors incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 2, 1996.**
- 10.7 Limited Brands, Inc. (formerly The Limited, Inc.) Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.**
- 10.8 Agreement dated as of May 3, 1999 among Limited Brands, Inc. (formerly The Limited, Inc.), Leslie H. Wexner and the Wexner Children's Trust, incorporated by reference to Exhibit 99 (c) 1 to the Company's Schedule 13E-4 dated May 4, 1999.

- 10.9 The 1998 Restatement of Limited Brands, Inc. (formerly The Limited, Inc.) 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 20, 1998.**
- 10.10 The 2002 Restatement of Limited Brands, Inc. (formerly The Limited, Inc.) 1993 Stock Option and Performance Incentive Plan, incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2003.**
- 10.11 Limited Brands, Inc. Stock Award and Deferred Compensation Plan for Non-Associate Directors incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File no. 333-110465) dated November 13, 2003.**
- 10.12 Limited Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2003 Restatement) incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-8 (File no. 333-110465) dated November 13, 2003.**
- 10.13 Limited Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2004 Restatement) incorporated by reference to Appendix A to the Company's Proxy Statement dated April 14, 2004.**
- 10.14 Form of Aircraft Time Sharing Agreement between Limited Service Corporation and participating officers and directors incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q dated December 8, 2004.**
- 10.15 Employment Agreement dated as of January 17, 2005 among Limited Brands, Inc., The Limited Service Corporation and Martyn Redgrave incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated January 19, 2005.**
- 10.16 Limited Brands, Inc. Stock Option Award Agreement incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.**
- 10.17 Form of Amended and Restated Aircraft Time Sharing Agreement between Limited Service Corporation and participating officers and directors incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.**
- 10.18 Form of Stock Ownership Guideline incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.**
- 10.19 Employment Agreement dated as of November 24, 2006 among Limited Brands, Inc., Victoria's Secret Direct, LLC, and Sharen Jester Turney incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007.**
- 10.20 Employment Agreement effective as of April 9, 2007 among Limited Brands, Inc. and Stuart Burgdoerfer incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated April 11, 2007.**
- 10.21 Amendment to Employment Agreement dated as of March 28, 2008 among Limited Brands, Inc., and Sharen Jester Turney incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2008.**
- 10.22 Limited Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2009 Restatement) incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File no. 333-110465) dated September 10, 2009.**
- 10.23 Employment Agreement dated as of July 5, 2011 among Bath & Body Works Brand Management, Inc. and Nicholas P. M. Coe filed hereto at Exhibit 10.23.
- 10.24 Employment Agreement dated as of December 31, 2007 among Limited Brands, Inc., Beauty Avenues, LLC, and Charles C. McGuigan, as amended by Amendment to Agreement dated December 1, 2008 and Form of Employment Agreement Amendment effective as of March 15, 2012 filed hereto at Exhibit 10.24 as a result of Mr. McGuigan becoming a named executive officer pursuant to item 402 of Regulation S-K.
- 10.25 The Limited Brands Inc. 2011 Stock Option and Performance Incentive Plan originally incorporated by reference to Appendix A to the Company's Proxy Statement dated April 11, 2011 and Amended and Restated dated July 21, 2011 filed hereto at Exhibit 10.25.
- 12. Computation of Ratio of Earnings to Fixed Charges.
- 14. Code of Ethics—incorporated by reference to the definitive Proxy Statement to be filed on or about April 12, 2012.
- 21. Subsidiaries of the Registrant.

- 23.1 Consent of Ernst & Young LLP.
- 24. Powers of Attorney.
- 31.1 Section 302 Certification of CEO.
- 31.2 Section 302 Certification of CFO.
- 32. Section 906 Certification (by CEO and CFO).

** Identifies management contracts or compensatory plans or arrangements.

(b) Exhibits.

The exhibits to this report are listed in section (a)(3) of Item 15 above.

(c) Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 23, 2012

LIMITED BRANDS, INC. (registrant)

By: /s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer,
Executive Vice President,
Chief Financial Officer *

- * Mr. Burgdoerfer is the principal financial officer and the principal accounting officer and has been duly authorized to sign on behalf of the Registrant.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on January 28, 2012:

<u>Signature</u>	<u>Title</u>
<u>/s/ LESLIE H. WEXNER**</u> Leslie H. Wexner	Chairman of the Board of Directors and Chief Executive Officer
<u>/s/ DENNIS S. HERSCH**</u> Dennis S. Hersch	Director
<u>/s/ JAMES L. HESKETT**</u> James L. Heskett	Director
<u>/s/ DONNA A. JAMES**</u> Donna A. James	Director
<u>/s/ DAVID T. KOLLAT**</u> David T. Kollat	Director
<u>/s/ WILLIAM R. LOOMIS, JR.**</u> William R. Loomis, Jr.	Director
<u>/s/ JEFFREY H. MIRO**</u> Jeffrey H. Miro	Director
<u>/s/ ALLAN R. TESSLER**</u> Allan R. Tessler	Director
<u>/s/ ABIGAIL S. WEXNER**</u> Abigail S. Wexner	Director
<u>/s/ RAYMOND ZIMMERMAN**</u> Raymond Zimmerman	Director

- ** The undersigned, by signing his name hereto, does hereby sign this report on behalf of each of the above-indicated directors of the registrant pursuant to powers of attorney executed by such directors.

By /s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer
Attorney-in-fact

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

LIMITED BRANDS, INC.
(exact name of Registrant as specified in its charter)

EXHIBITS

EXHIBIT INDEX

Exhibit No.	Document
10.23	Employment Agreement dated as of July 5, 2011 among Bath & Body Works Brand Management, Inc. and Nicholas P. M. Coe.
10.24	Employment Agreement dated as of December 31, 2007 among Limited Brands, Inc., Beauty Avenues, LLC, and Charles C. McGuigan, Amendment to Agreement dated December 1, 2008 and Form of Employment Agreement Amendment effective as of March 15, 2012.
10.25	Limited Brands Inc. 2011 Stock Option and Performance Incentive Plan Amended and Restated dated July 21, 2011.
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
24	Powers of Attorney.
31.1	Section 302 Certification of CEO.
31.2	Section 302 Certification of CFO.
32	Section 906 Certification (by CEO and CFO).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into by and between Bath & Body Works Brand Management, Inc. (hereinafter the "Company"), and Nick Coe (the "Executive") (hereinafter collectively referred to as the "parties").

WHEREAS, the Executive will be employed as the Chief Executive Officer of the Company and has experience in various phases of the Company's business and does possess an intimate knowledge of the business and affairs of the Company and its policies, procedures, methods, and personnel; and

WHEREAS, the Company has determined that it is essential and in its best interests to retain the services of key management personnel and to ensure their continued dedication and efforts.

NOW, THEREFORE, in consideration of the foregoing and the respective agreements of the parties contained herein, the parties hereby agree as follows:

1 Term. This Agreement shall commence on the Executive's first day of employment (the "Commencement Date") and continue until terminated pursuant to the provisions of Section 9 of this Agreement.

2. Employment.

(a) Position. The Executive's first day of employment with the Company shall be July 5, 2011. The Company and the Executive agree that until the Executive assumes the position of Chief Executive Officer, the Executive will not have any advisory or operational role with the Company and that his sole responsibility during this period will be to onboard with the Company. Effective August 1, 2011, the Executive will assume the position of Chief Executive Officer of the Company and shall perform the duties, undertake the responsibilities, and exercise the authority customarily performed, undertaken, and exercised by persons employed in a similar executive capacity. Further, prior to August 1, 2012, the Executive shall not have any involvement or responsibilities with any other subsidiary of Limited Brands, Inc.

(b) Obligations. The Executive agrees to devote the Executive's full business time and attention to the business and affairs of the Company. The foregoing, however, shall not preclude the Executive from serving on corporate, civic, or charitable boards or committees or managing personal investments, so long as such activities do not materially interfere with the performance of the Executive's responsibilities hereunder.

3 Base Salary. The Company agrees to pay the Executive an annual Base Salary at the rate of Eight Hundred Thousand Dollars (\$800,000.00), less applicable withholdings. Beginning in 2012, this Base Salary will be subject to annual review and may be increased, but not reduced, from time to time in the discretion of the Company, based on factors such as the Executive's responsibilities, compensation of similar executives within the Company and in other companies, the Executive's performance, and other pertinent factors. Such Base Salary shall be payable in accordance with the Company's customary practices applicable to its executives.

4. Equity Compensation. The Company, within ten (10) days of the Commencement Date, shall grant to the Executive restricted shares of the Company's common stock with a value of One Million Dollars (\$1,000,000.00). Said grant shall be subject to the terms and conditions set forth in the Company's Stock Option and Performance Incentive Plan ("Plan") and in the respective stock grant. Beginning in 2012 the Executive shall also be eligible for such other additional future equity-based awards as may be commensurate with his position and performance as determined by the Compensation Committee. With respect to the Executive's 2012 grant, the Company shall use its best efforts to have the Compensation Committee grant to the Executive an equity-based award with a value of no less than One Million Two Hundred Thousand Dollars (\$1,200,000.00). Further, said 2012 grant shall be apportioned in a

manner so that, at a minimum, seventy-five percent (75%) of the value will be in restricted stock and will be granted to Executive on or about March 31, 2012 or the Commencement Date of his employment, whichever is later.

5. Employee Benefits. The Executive shall be entitled to participate in all employee benefit plans, practices, and programs maintained by the Company and made available to similarly situated executives generally and as may be in effect from time to time. The Executive's participation in such plans, practices and programs shall be on the same basis and terms as are applicable to similarly situated executives of the Company generally.

6. Incentive Payments.

(a) The Executive shall be entitled to participate in the Company's applicable incentive compensation plan at a target level of ninety percent (90%) of the Executive's Base Salary on such terms and conditions as determined from time to time by the Board.

(b) The Company agrees to pay the Executive a separate sign-on incentive payment in the amount of Two Hundred Fifty Thousand Dollars (\$250,000.00) less applicable withholdings, within two (2) weeks of the Commencement Date. The Executive agrees that if he is terminated for Cause or he resigns (other than for Good Reason or due to Disability, in each case as defined below) prior to one year from the Commencement Date, he shall pay back to the Company the entire sign-on incentive payment.

7. Other Benefits.

(a) Benefits. The Executive shall be entitled to all other benefits as similarly situated executives.

(b) Expenses. Subject to applicable Company policies, the Executive shall be entitled to receive prompt reimbursement of all expenses reasonably incurred in connection with the performance of the Executive's duties hereunder or for promoting, pursuing, or otherwise furthering the business or interests of the Company and be entitled to participate in the Company's Relocation Program that is provided to similarly situated executives.

(c) Office and Facilities. The Executive shall be provided with appropriate offices and with such secretarial and other support facilities as are commensurate with the Executive's status with the Company and adequate for the performance of the Executive's duties hereunder.

8. Paid Time Off (PTO) Program. The Executive shall be entitled to paid time off in accordance with the policies as periodically established by the Company for similarly situated executives of the Company.

9. Termination. The Executive's employment hereunder is subject to the following terms and conditions:

(a) Disability. The Company shall be entitled to terminate the Executive's employment after having established the Executive's Disability. For purposes of this Agreement, "Disability" means a physical or mental infirmity which impairs the Executive's ability to substantially perform the Executive's duties under this Agreement as determined in accordance with the Company's Long-Term Disability Plan.

(b) Cause. The Company shall be entitled to terminate the Executive's employment for "Cause". For purposes of this Agreement, "Cause" shall mean that the Executive (1) was grossly negligent in the performance of the Executive's duties (other than a failure resulting from the Executive's incapacity due to physical or mental illness); or (2) has pleaded "guilty" or "no contest" to or has been convicted of an act which is defined as a felony under federal or state law; or (3) engaged in misconduct in bad faith which could reasonably be expected to materially harm the Company's business or its reputation; or (4) has materially breached this Agreement. Notwithstanding the foregoing, "Cause" shall not include acts which are cured by the Executive no later than thirty (30) days from the date of receipt by the Executive of

written notice from the Company identifying in reasonable detail the act or acts constituting such "Cause" and its intention to terminate the Executive for "Cause". Further "misconduct in bad faith" shall not constitute any act taken or not taken by the Executive in the good faith belief that such action or inaction was in, or not opposed to, the best interests of the Company.

(c) Termination Without Good Reason or for Good Reason by the Executive. The Executive may terminate employment hereunder without "Good Reason" by delivering to the Company, not less than ninety (90) days prior to the Termination Date, a written Notice of Termination. The Executive may terminate employment hereunder for "Good Reason" by delivering to the Company not less than thirty (30) days prior to the Termination Date, a written Notice of Termination setting forth in reasonable detail the facts and circumstances which constitute Good Reason. For purpose of this Agreement, "Good Reason" means (i) the failure to continue the Executive in a capacity contemplated by Section 2, above; (ii) the assignment to the Executive of any duties, responsibilities or authority materially inconsistent with the Executive's position or duties, as set forth in Section 2 hereof; (iii) a reduction in or a material delay in payment of the Executive's total cash compensation and benefits from those required to be provided in accordance with the provisions of this Agreement; (iv) the Company, the Board or any person controlling the Company requires the Executive to be based outside 50 miles from Columbus, Ohio, other than on travel reasonably required to carry out the Executive's obligations under the Agreement; (v) any material breach of this Agreement by the Company; or (vi) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company within 15 days after a merger, consolidation, sale, or similar transaction provided, however, that "Good Reason" shall not include (A) acts not taken in bad faith which are cured by the Company in all material respects not later than thirty (30) days from the date of receipt by the Company of a written Notice of Termination identifying in reasonable detail the act or acts constituting "Good Reason" or (B) acts taken by the Company by reason of the Executive's physical or mental infirmity which infirmity impairs the Executive's ability to substantially perform his duties under this Agreement.

(d) Termination For Cause by the Company. Any purported termination for Cause by the Company shall be communicated by a written Notice of Termination to the Executive two weeks prior to the Termination Date. For purposes of this Paragraph, a "Notice of Termination" shall mean a notice which indicates the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

(e) Termination Other Than for Cause by the Company. Any termination by the Company other than for Cause shall be communicated by a written Notice of Termination to the Executive four (4) weeks prior to the Termination Date.

(f) Notice of Termination. For purposes of this Agreement, no such purported termination of employment shall be effective without the proper Notice of Termination.

(g) Termination Date. "Termination Date" shall mean in the case of the Executive's death, the date of death, or in all other cases, the date specified in the Notice of Termination; provided, however, that if the Executive's employment is terminated by the Company due to Disability, the date specified in the Notice of Termination shall be at least thirty (30) days from the date the Notice of Termination is given to the Executive.

10. Compensation Upon Certain Terminations by the Company.

(a) If during the term of the Agreement (including any extensions thereof), whether or not following a Change in Control (as defined in the applicable Change in Control Provision), the Executive's employment is terminated by the Company for Cause or by reason of the Executive's death, or if the Executive gives the Company a written Notice of Termination other than one for Good Reason, the Company's sole obligations hereunder shall be to pay the Executive the following amounts earned hereunder but not paid as of the Termination Date: (i) Base Salary, (ii) reimbursement for any and all monies advanced or expenses incurred pursuant to Section 7(b) through the Termination Date, and (iii) any earned compensation which the Executive had previously deferred (including any interest earned or credited thereon)

(collectively, "Accrued Compensation"). The Executive's entitlement to any other benefits shall be determined in accordance with the Company's employee benefit plans then in effect.

(b) If the Executive's employment is terminated by the Company other than for Cause or by the Executive for Good Reason, the Company's sole obligations hereunder should be as follows:

(i) the Company shall pay the Executive the Accrued Compensation;

(ii) in consideration of the Executive signing a General Release; which General Release becomes effective and irrevocable within the time prescribed therein but in no event later than the sixtieth (60th) day following the Termination Date and which contains a release of Executive's claims against the Company in a form reasonably satisfactory to the Company (but which will not require Executive to release his rights under this Agreement, indemnification rights or any vested rights under any Company plan or agreement);

(A) the Company shall continue to pay the Executive his Base Salary for a period of one (1) year following the Termination Date, in accordance with the Company's prevailing payroll practices, which payments shall commence on the first payroll date following the effective date of the General Release (the "Starting Date"), and which shall include those payments that would have previously been paid if the payments had begun on the first payroll date following the Termination Date.

(B) the Executive shall be entitled to pro rata vesting of all shares of the Company's restricted stock that were granted pursuant to Section 4 of this Agreement. Pro rata vesting of said shares shall be based on the number of months employed during the vesting period.

(C) the Executive shall be entitled to and the Company agrees to pay a pro rata payout of any incentive compensation that is paid for the Season in which the Termination Date occurs. Pro rata vesting of any incentive compensation shall be based on the number of days employed during the Season.

(iii) provided, however, that if the Executive's employment is terminated by the Company other than for Cause or by the Executive for Good Reason during the 24-month period immediately following a Change of Control (as defined in the Company's Stock Option and Performance Incentive Plan) in consideration of the Executive signing a General Release in the form described above the Company shall continue to pay, under the same terms and conditions as set forth in Section 10(b)(ii)(A), the Executive his Base Salary for one additional year after payments have ended under Section 10(b)(ii)(A).

(c) If the Executive's employment is terminated by the Company by reason of the Executive's Disability, the Company's sole obligations hereunder shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation; and

(ii) the Executive shall be entitled to receive any disability benefits available under the applicable Long Term Disability Plan.

(d) For up to twelve (12) months during the period the Executive is receiving salary continuation pursuant to Section 10(b)(ii) hereof, the Company shall, provide to the Executive and the Executive's beneficiaries medical and dental benefits substantially similar in the aggregate to the those provided to the Executive immediately prior to the date of the Executive's termination of employment; provided, however, that the Company's obligation to provide such benefits shall cease upon the Executive's becoming eligible for such benefits as the result of employment with another employer.

11. Employee Covenants .

(a) Confidentiality. The Executive shall not, during the term of this Agreement and thereafter, make any Unauthorized Disclosure. For purposes of this Agreement, "Unauthorized Disclosure" shall mean use by the Executive for his own benefit, or disclosure by the Executive to any person other than a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company or as may be legally required, of any confidential information relating to the business or prospects of the Company (including, but not limited to, any information and materials pertaining to any Intellectual Property as defined below); provided, however, that Unauthorized Disclosure shall not include the use or disclosure by the Executive of any publicly available information (other than information available as a result of disclosure by the Executive in violation of this Section 11(b)) or any information disclosed in good faith in the performance of the Executive's duties to the Company. This confidentiality covenant has no temporal, geographical or territorial restriction.

The Executive shall not disclose or use, or induce the Company to use, any proprietary, trade secret or confidential business information of any other person or entity, including any previous employer. The Executive represents that he has returned all proprietary, trade secret or confidential information belonging to any previous employer, and that he has and will continue to abide by the confidentiality requirements of any agreement to which he is a party, including any agreement with any previous employer.

(b) Non-Competition. During the Non-Competition Period described below, the Executive shall not, directly or indirectly, without the prior written consent of the Company, own, manage, operate, join, control, be employed by, consult with or participate in the ownership, management, operation or control of, or be connected with (as a stockholder, partner, or otherwise), any business, individual, partner, firm, corporation, or other entity that substantially competes or plans to compete, directly or indirectly, with the Company, or any of its products; provided, however, that the "beneficial ownership" by the Executive after termination of employment with the Company, either individually or as a member of a "group," as such terms are used in Rule 13d of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of not more than two percent (2%) of the voting stock of any publicly held corporation shall not be a violation of Section 11 of this Agreement.

The "Non-Competition Period" means the period the Executive is employed by the Company plus the longer of (a) one (1) year from the Termination Date or (b) the period during which the Executive receives salary continuation as described in Section 10(b), above.

(c) Non-Solicitation. During the No-Raid Period described below, the Executive shall not directly or indirectly solicit, induce or attempt to influence any employee to leave the employment of the Company, nor assist anyone else in doing so. Further, during the No-Raid Period, the Executive shall not, either directly or indirectly, alone or in conjunction with another party, interfere with or harm, or attempt to interfere with or harm, the relationship of the Company, with any person who at any time was an employee, customer or supplier of the Company, or otherwise had a business relationship with the Company.

The "No-Raid Period" means the period the Executive is employed by the Company plus the longer of (a) one (1) year from the Termination Date or (b) the period during which the Executive receives salary continuation as described in Section 10(b), above. Further, with respect to any employee of Sears Holding Corporation and its affiliates, for a period of one (1) year from the Commencement Date, the Executive will not solicit for employment, hire or offer employment to, or otherwise aid or assist (by disclosing information about employees or otherwise) any other person or entity, including the Company and its subsidiaries and affiliates, in soliciting for employment or hire any of said employees.

(d) Intellectual Property. The Executive agrees that all inventions, designs and ideas conceived, produced, created, or reduced to practice, either solely or Jointly with others, during the Executive's employment with the Company including those developed on the Executive's own time, which relates to the Company's business ("Intellectual Property") shall be owned solely by the Company. The Executive understands that whether in preliminary or final form, such Intellectual Property includes, for example, all ideas, inventions, discoveries, designs, innovations, improvements, trade secrets, and other intellectual property. All Intellectual Property is either work made for hire for the Company within the

meaning of the United States Copyright Act, or, if such Intellectual Property is determined not to be work made for hire, then the Executive irrevocably assigns all rights, titles and interests in and to the Intellectual Property to the Company, including all copyrights, patents, and/or trademarks. The Executive agrees to, without any additional consideration, execute all documents and take all other actions needed to convey the Executive's complete ownership of the Intellectual Property to the Company so that the Company may own and protect such Intellectual Property and obtain patent, copyright and trademark registrations for it. The Executive also agrees that the Company may alter or modify the Intellectual Property at the Company's sole discretion, and the Executive waives all right to claim or disclaim authorship. The Executive represents and warrants that any Intellectual Property that the Executive assigns to the Company, except as otherwise disclosed in writing at the time of assignment, will be the Executive's sole exclusive original work. The Executive also represents that the Executive has not previously invented any Intellectual Property or has advised the Company in writing of any prior inventions or ideas.

(e) Remedies. The Executive agrees that any breach of the terms of this Section 11 may result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; the Executive therefore also agrees that in the event of said breach or any threat of breach, the Company may be entitled to an immediate injunction and restraining order to prevent such breach and/or threatened breach and/or continued breach by the Executive and/or any and all persons and/or entities acting for and/or with the Executive, without having to prove damages. The terms of this Paragraph shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach hereof, including but not limited to the recovery of damages from the Executive. The Executive and the Company further agree that the confidentiality provisions and the covenants not to compete and solicit contained in this Section 11 are reasonable and that the Company would not have entered into this Agreement but for the inclusion of such covenants herein. The parties agree that the prevailing party shall be entitled to all costs and expenses, including reasonable attorneys' fees and costs, in addition to any other remedies to which either may be entitled at law or in equity. Should a court determine, however, that any provision of the covenants is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court deems reasonable.

(f) Sears Agreement. The Executive and the Company agree to comply with the terms and conditions set forth in the Confidential Settlement Agreement and Mutual Release dated effective as of May 18, 2011 between Sears Holdings Corporation, Lands' End, Inc., the Executive, the Company, Limited Brands, Inc. and Bath & Body Works, LLC.

The provisions of this Section 11 shall survive any termination of this Agreement, and the existence of any claim or cause of action by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants and agreements of this Section 11; provided, however, that this paragraph shall not, in and of itself, preclude the Executive from asserting or defending a legal claim regarding the enforceability of the covenants and agreements of this Section 11.

12. Compliance with Section 409A.

(a) To the extent that the payments and benefits to which the Executive is entitled in connection with a termination of his employment (the "Separation Benefits") constitute non-qualified deferred compensation subject to Section 409A of the Code, the following rules shall apply to the Separation Benefits:

1. all references to termination of employment (or like terms) hereunder shall be interpreted to mean "separation from service" as defined in regulations under Section 409A of the Code.

2. if the Executive is a "specified employee" (as that term is used in Section 409A and regulations and other guidance issued thereunder) on the date his separation from service becomes effective, any part of the Separation Benefits that constitutes non-qualified deferred compensation subject to Section 409A shall be delayed (the "Delayed Payments") until the earlier of (i) the business day following the six-month anniversary of the date his separation from service becomes effective, and (ii) the date of the Executive's death, but only to the extent necessary to avoid the adverse

tax consequences and penalties under Section 409A. On the earlier of (i) the business day following the six-month anniversary of the date his separation from service becomes effective, and (ii) the Executive's death, the Company shall pay the Executive in a lump sum the aggregate value of the Delayed Payments with interest calculated thereon based on the prime rate reported in the Wall Street Journal on the date the first Delayed Payment was otherwise due.

3. it is intended that each installment of the payments and benefits provided in this Agreement in connection with a termination of the Executive's employment shall be treated as a "separate payment" for purposes of Section 409A; and

(b) If any of the reimbursements or in-kind benefits provided for under this Agreement are subject to Section 409A and the rules and regulations thereunder, the following rules shall apply:

1. in no event shall any such reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred;

2. the amount of such reimbursable expenses incurred, or the provision of in-kind benefits, in one tax year shall not affect the expenses eligible for reimbursement or the provision of in-kind benefits in any other tax year; and

3. the right to such reimbursement for expenses or provision of in-kind benefits is not subject to liquidation or exchange for any other benefit.

(c) Notwithstanding any other provision of this Agreement to the contrary, in the event of any ambiguity in the terms of this Agreement, such term(s) shall be interpreted and at all times administered in a manner that avoids the inclusion of compensation in income under Section 409A, or the payment of increased taxes, excise taxes or other penalties under Section 409A.

(d) The parties intend this Agreement to be in compliance with, or otherwise exempt from, Section 409A.

13. Successors and Assigns.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. The term "the Company" as used herein shall include any such successors and assigns to the Company's business and/or assets. The term "successors and assigns" as used herein shall mean a corporation or other entity acquiring or otherwise succeeding to, directly or indirectly, all or substantially all the assets and business of the Company (including this Agreement) whether by operation of law or otherwise.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, the Executive's beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

14. Arbitration. Except with respect to the remedies set forth in Section 11(f) hereof, any controversy or claim between the Company or any of its affiliates and the Executive arising out of or relating to this Agreement or its termination shall be settled and determined by a single arbitrator whose award shall be accepted as final and binding upon the parties. The American Arbitration Association, under its Employment Arbitration Rules, shall administer the binding arbitration. The arbitration shall take place in Columbus, Ohio. The Company and

the Executive each waive any right to a jury trial or to a petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement or its termination and agree that the arbitrator shall have the authority to award costs and attorney fees to the prevailing party.

15. Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid, or upon receipt if overnight delivery service or facsimile is used, addressed as follows:

To the Executive:

Nick Coe
125 North Hamilton Street
Madison, WI 53703

To the Company:

Bath & Body Works Brand Management, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: Secretary

16. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

17. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Ohio without giving effect to the conflict of law principles thereof.

18. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

19. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof. In the event of any conflict between the provisions of this Agreement and any other Company document, acknowledgement or agreement, this Agreement shall control.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has executed this Agreement as of the day and year written below.

BATH & BODY WORKS BRAND MANAGEMENT, INC.

By: /s/ LESLIE H. WEXNER	6/8/2011
Name: Leslie H. Wexner	Date
/s/ NICK COE	6/9/2011
Nick Coe	Date

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into effective December 31, 2007, by and between Beauty Avenues, LLC and Limited Brands, Inc. (hereinafter the "Company"), and Charles McGuigan (the "Executive") (hereinafter collectively referred to as "the parties").

WHEREAS, the Executive is employed as the President for Beauty Avenues, LLC and has experienced in various phases of the Company's business and does possess an intimate knowledge of the business and affairs of the Company and its policies, procedures, methods, and personnel; and

WHEREAS, the Company has determined that it is essential and in its best interests to retain the services of key management personnel and to ensure their continued dedication and efforts; and

NOW, THEREFORE, in consideration of the foregoing and the respective agreements of the parties contained herein, the parties hereby agree as follows:

1. Term. The initial term of employment under this Agreement shall be for the period commencing on December 31, 2007 (the "Commencement Date") and ending on the fifth anniversary of the Commencement Date (the "Initial Term"); provided, however, that thereafter this Agreement shall be automatically renewed from year to year, unless (a) either the Company or the Executive shall have given written notice to the other at least thirty (30) days prior thereto that the term of this Agreement shall not be so renewed or (b) the Agreement is terminated pursuant to the provisions of Section 9 of this Agreement.

2. Employment.

(a) Position. The Executive shall be employed as the President of Beauty Avenues, LLC or such other position as may be determined by the Board of Directors, if such position does not decrease the Executive's overall total compensation and maintains the Executive's status on the Executive's Leadership Team. The Executive shall perform the duties, undertake the responsibilities, and exercise the authority customarily performed, undertaken, and exercised by persons employed in a similar executive capacity.

(b) Obligations. The Executive agrees to devote the Executive's full business time and attention to the business and affairs of the Company. The foregoing, however, shall not preclude the Executive from serving on corporate, civic, or charitable boards or committees or managing personal investments, so long as such activities do not interfere with the performance of the Executive's responsibilities hereunder.

3. Base Salary. The Company agrees to pay the Executive an annual Base Salary at the rate of Eight Hundred Twenty-Five Thousand Dollars (\$825,000.00), less applicable withholding. This Base Salary will be subject to annual review and may be increased from time to time in the discretion of the Company, based on factors such as the Executive's responsibilities, compensation of similar executives within the Company and in other companies, the Executive's performance, and other pertinent factors. Such Base Salary shall be payable in accordance with the Company's customary practices applicable to its executives.

4. Equity Compensation. The Executive shall be eligible for such future equity-based awards as may be commensurate with his position and performance.

5. Employee Benefits. The Executive shall be entitled to participate in all employee benefit plans, practices, and programs maintained by the Company and made available to similarly situated executives generally and as may be in effect from time to time. The Executive's participation in such plans, practices and programs shall be on the same basis and terms as are applicable to similarly situated executives of the Company generally.

6. Bonus.

(a) The Executive shall be entitled to participate in the Company's applicable incentive compensation plan at a target level of seventy percent (70%) of the Executive's Base Salary on such terms and conditions as determined from time to time by the Board.

(b) The Executive shall be eligible to a success bonus for Project Insight under the same terms and conditions that are set forth in the Executive's Offer Letter dated March 5, 2004.

Other Benefits.

(a) Benefits. The Executive shall be entitled to all other benefits as similarly situated executives.

(b) Expenses. Subject to applicable Company policies, the Executive shall be entitled to receive prompt reimbursement of all expenses reasonably incurred in connection with the performance of the Executive's duties hereunder or for promoting, pursuing, or otherwise furthering the business or interests of the Company.

(c) Office and Facilities. The Executive shall be provided with appropriate offices and with such secretarial and other support facilities as are commensurate with the Executive's status with the Company and adequate for the performance of the Executive's duties hereunder.

(d) Relocation. The Company agrees that the Executive has until May 5, 2009 to start his relocation under the Company's relocation policy.

8. Paid Time Off (PTO) Program. The Executive shall be entitled to paid time off in accordance with the policies as periodically established by the Company for similarly situated executives of the Company.

9. Termination. The Executive's employment hereunder is subject to the following terms and conditions:

(a) Disability. The Company shall be entitled to terminate the Executive's employment after having established the Executive's Disability. For purposes of this Agreement, "Disability" means a physical or mental infirmity which impairs the Executive's ability to substantially perform the Executive's duties under this Agreement for a period of at least six months in any twelve-month calendar period as determined in accordance with the Company's Long-Term Disability Plan.

(b) Cause. The Company shall be entitled to terminate the Executive's employment for "Cause" without prior written notice. For purposes of this Agreement, "Cause" shall mean that the Executive (1) was grossly negligent in the performance of the Executive's duties with the Company (other than a failure resulting from the Executive's incapacity due to physical or mental illness); or (2) has plead "guilty" or "no contest" to or has been convicted of an act which is defined as a felony under federal or state law; or (3) engaged in misconduct in bad faith which could reasonably be expected to materially harm the Company's business or its reputation. The Executive shall be given written notice by the Company of a termination for Cause, which shall state in detail the particular act or acts or failures to act that constitute the grounds on which the termination for Cause is based.

(c) Termination by the Executive. The Executive may terminate employment hereunder without "Good Reason" by delivering to the Company, not less than thirty (30) days prior to the Termination Date, a written Notice of Termination. The Executive may terminate employment hereunder for "Good Reason" by delivering to the Company not less than thirty (30) days prior to the Termination Date, a written Notice of Termination setting forth in reasonable detail the facts and circumstances which constitute Good Reason. For purposes of this Agreement, "Good Reason" means (i) the failure to continue the Executive in a capacity contemplated by Section 2, above; (ii) the assignment to the Executive of any duties materially inconsistent with the Executive's position or duties, as set forth in Section 2 hereof; (iii) a reduction in or a material delay in payment of the Executive's total cash compensation and benefits from those required to be provided in accordance with the provisions of this Agreement; (iv) the Company, the Board or

any person controlling the Company requires the Executive to be based outside of the United States, other than on travel reasonably required to carry out the Executive's obligations under the Agreement; or (v) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company within 15 days after a merger, consolidation, sale, or similar transaction provided, however, that "Good Reason" shall not include (A) acts not taken in bad faith which are cured by the Company in all material respects not later than thirty (30) days from the date of receipt by the Company of a written Notice of Termination identifying in reasonable detail the act or acts constituting "Good Reason" or (B) acts taken by the Company by reason of the Executive's physical or mental infirmity which infirmity impairs the Executive's ability to substantially perform his duties under this Agreement.

(d) Notice of Termination. Any purported termination for Cause by the Company or for Good Reason by the Executive shall be communicated by a written Notice of Termination to the other two weeks prior to the Termination Date (as defined below). For purposes of this Agreement, a "Notice of Termination" shall mean a notice which indicates the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Any termination by the Company other than for Cause or by the Executive without Good Reason shall be communicated by a written Notice of Termination to the other party four (4) weeks prior to the Termination Date. However, the Company may elect to pay the Executive in lieu of four (4) weeks written notice. For purposes of this Agreement, no such purported termination of employment shall be effective without such Notice of Termination.

10. Compensation Upon Certain Terminations by the Company

(a) If during the term of the Agreement (including any extensions thereof), whether or not following a Change in Control (as defined in the applicable Change in Control Provision), the Executive's employment is terminated by the Company for Cause or by reason of the Executive's death, or if the Executive gives the Company a written Notice of Termination other than one for Good Reason, the Company's sole obligations hereunder shall be to pay the Executive the following amounts earned hereunder but not paid as of the Termination Date: (i) Base Salary, (ii) reimbursement for any and all monies advanced or expenses incurred pursuant to Section 7(b) through the Termination Date, and (iii) any earned compensation which the Executive had previously deferred (including any interest earned or credited thereon)(collectively, "Accrued Compensation"). The Executive's entitlement to any other benefits shall be determined in accordance with the Company's employee benefit plans then in effect.

(b) If the Executive's employment is terminated by the Company other than for Cause (including a termination by reason of the Company's written notice to the Executive of its decision not to extend the Employment Agreement pursuant to Section 1 hereof) or by the Executive for Good Reason, the Company's sole obligations hereunder should be as follows:

(i) the Company shall pay the Executive the Accrued Compensation;

(ii) in consideration of the Executive signing a General Release:

(A) the Company shall continue to pay the Executive his Base Salary for a period of one (1) year following the Termination Date; and

(B) the Company shall pay the Executive any incentive compensation under the plan described in Section 6 that the Executive would have received if the Executive had remained employed with the Company for a period of one (1) year after the Termination Date.

(iii) provided, however, that if the Executive's employment is terminated by the Company other than for cause or by the Executive for Good Reason during the 24-month period immediately following a Change of Control (as defined in the Company's Stock Option and Performance Incentive Plan) in consideration of the Executive signing a General Release the Company shall pay the Executive his Base Salary for one additional year after payments have ended under Section 10(b)(ii).

(c) If the Executive's employment is terminated by the Company by reason of the Executive's Disability, the Company's sole obligations hereunder shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation; and

(ii) the Executive shall be entitled to receive any disability benefits available under the applicable Long Term Disability Plan.

(d) For up to twelve (12) months during the period the Executive is receiving salary continuation pursuant to Section 10(b)(ii) hereof, the Company shall provide to the Executive and the Executive's beneficiaries medical and dental benefits substantially similar in the aggregate to the those provided to the Executive immediately prior to the date of the Executive's termination of employment; provided, however, that the Company's obligation to provide such benefits shall cease upon the Executive's becoming eligible for such benefits as the result of employment with another employer.

(e) Executive shall not be required to mitigate the amount of any payment provided for in this Section 10 by seeking other employment or otherwise and no such payment or benefit shall be eliminated, offset or reduced by the amount of any compensation provided to the Executive in any subsequent employment, except as provided in Section 10(d).

11. Employee Covenants.

(a) For the purposes of this Section 11, the term "Company" shall include Limited Brands, Inc. and all of its subsidiaries and affiliates thereof.

(b) Confidentiality. The Executive shall not, during the term of this Agreement and thereafter, make any Unauthorized Disclosure. For purposes of this Agreement, "Unauthorized Disclosure" shall mean use by the Executive for his own benefit, or disclosure by the Executive to any person other than a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company or as may be legally required, of any confidential information relating to the business or prospects of the Company (including, but not limited to, any information and materials pertaining to any Intellectual Property as defined below); provided, however, that Unauthorized Disclosure shall not include the use or disclosure by the Executive of any publicly available information (other than information available as a result of disclosure by the Executive in violation of this Section 11(b)). This confidentiality covenant has no temporal, geographical or territorial restriction.

(c) Non-Competition. During the Non-Competition Period described below, the Executive shall not, directly or indirectly, without the prior written consent of the Company, own, manage, operate, join, control, be employed by, consult with or participate in the ownership, management, operation or control of, or be connected with (as a stockholder, partner, or otherwise), any business, individual, partner, firm, corporation, or other entity that competes or plans to compete, directly or indirectly, with the Company, or any of its products; provided, however, that the "beneficial ownership" by the Executive after termination of employment with the Company, either individually or as a member of a "group," as such terms are used in Rule 13d of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of not more than two percent (2%) of the voting stock of any publicly held corporation shall not be a violation of Section 11 of this Agreement.

The "Non-Competition Period" means the period the Executive is employed by the Company plus the longer of (a) one (1) year from the Termination Date or (b) the period during which the Executive receives salary continuation as described in Section 10(b) above.

(d) Non-Solicitation. During the No-Raid Period described below, the Executive shall not directly or indirectly solicit, induce or attempt to influence any employee to leave the employment of the Company, nor assist anyone else in doing so. Further, during the No-Raid Period, the

Executive shall not, either directly or indirectly, alone or in conjunction with another party, interfere with or harm, or attempt to interfere with or harm, the relationship of the Company, with any person who at any time was an employee, customer or supplier of the Company, or otherwise had a business relationship with the Company.

The "No-Raid Period" means the period the Executive is employed by the Company plus the longer of (a) one (1) year from the Termination Date or (b) the period during which the Executive receives salary continuation as described in Section 10(b), above.

(e) Intellectual Property. The Executive agrees that all inventions, designs and ideas conceived, produced, created, or reduced to practice, either solely or jointly with others, during the Executive's employment with the Company including those developed on the Executive's own time, which relates to or is useful in the Company's business ("Intellectual Property") shall be owned solely by the Company. The Executive understands that whether in preliminary or final form, such Intellectual Property includes, for example, all ideas, inventions, discoveries, designs, innovations, improvements, trade secrets, and other intellectual property. All Intellectual Property is either work made for hire for the Company within the meaning of the United States Copyright Act, or, if such Intellectual Property is determined not to be work made for hire, then the Executive irrevocably assigns all rights, titles and interests in and to the Intellectual Property to the Company, including all copyrights, patents, and/or trademarks. The Executive agrees to, without any additional consideration, execute all documents and take all other actions needed to convey the Executive's complete ownership of the Intellectual Property to the Company so that the Company may own and protect such Intellectual Property and obtain patent, copyright and trademark registrations for it. The Executive also agrees that the Company may alter or modify the Intellectual Property at the Company's sole discretion, and the Executive waives all right to claim or disclaim authorship. The Executive represents and warrants that any Intellectual Property that the Executive assigns to the Company, except as otherwise disclosed in writing at the time of assignment, will be the Executive's sole exclusive original work. The Executive also represents that the Executive has not previously invented any Intellectual Property or has advised the Company in writing of any prior inventions or ideas.

(f) Remedies. The Executive agrees that any breach of the terms of this Section 11 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; the Executive therefore also agrees that in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent, such breach and/or threatened breach and/or continued breach by the Executive and/or any and all persons and/or entities acting for and/or with the Executive, without having to prove damages. The terms of this paragraph shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach hereof, including but not limited to the recovery of damages from the Executive. The Executive and the Company further agree that the confidentiality provisions and the covenants not to compete and solicit contained in this Section 11 are reasonable and that the Company would not have entered into this Agreement but for the inclusion of such covenants herein. The parties agree that the prevailing party shall be entitled to all costs and expenses, including reasonable attorneys' fees and costs, in addition to any other remedies to which either may be entitled at law or in equity. Should a court determine, however, that any provision of the covenants is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court deems reasonable.

The provisions of this Section 11 shall survive any termination of this Agreement, and the existence of any claim or cause of action by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants and agreements of this Section 11; provided, however, that this paragraph shall not, in and of itself, preclude the Executive from asserting or defending a legal claim regarding the enforceability of the covenants and agreements of this Section 11.

12. Employee Representation. The Executive expressly represents and warrants to the Company that the Executive is not a party to any contract or agreement and is not otherwise obligated in any way, and is not subject to any rules or regulations, whether governmentally imposed or otherwise, which will or may restrict in any way the Executive's ability to fully perform the Executive's duties and responsibilities under this Agreement.

13. Successors and Assigns.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. The term "the Company" as used herein shall include any such successors and assigns to the Company's business and/or assets. The term "successors and assigns" as used herein shall mean a corporation or other entity acquiring or otherwise succeeding to, directly or indirectly, all or substantially all the assets and business of the Company (including this Agreement) whether by operation of law or otherwise.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, the Executive's beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

14. Arbitration. Except with respect to the remedies set forth in Section 11(f) hereof, any controversy or claim between the Company or any of its affiliates and the Executive arising out of or relating to this Agreement or its termination shall be settled and determined by a single arbitrator whose award shall be accepted as final and binding upon the parties. The American Arbitration Association, under its Employment Arbitration Rules, shall administer the binding arbitration. The arbitration shall take place in Columbus, Ohio. The Company and the Executive each waive any right to a jury trial or to a petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement or its termination and agree that the arbitrator shall have the authority to award costs and attorney fees to the prevailing party.

15. Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid, or upon receipt if overnight delivery service or facsimile is used, addressed as follows:

To the Executive:
Charles McGuigan
3145 East Addison
Alpharetta, GA 30022

To the Company:
Limited Brands, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: Secretary

16. Settlement of Claims. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense, or other right which the Company may have against the Executive or others.

17. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

18. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Ohio without giving effect to the conflict of law principles thereof.

19. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

20. Entire Agreement. This Agreement along with the Executive's Offer Letter constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has executed this Agreement as of the day and year first above written.

LIMITED BRANDS, INC.
BEAUTY AVENUES, LLC

By: /s/ LESLIE H. WEXNER

Name: Leslie H. Wexner

Date

/s/ CHARLES MCGUIGAN

Charles McGuigan

1/29/2008

Date

AMENDMENT TO AGREEMENT

WHEREAS, Limited Brands, Inc. (the "Company"), and Charles McGuigan, an employee of the Company (the "Executive") have previously entered into an agreement regarding the terms and conditions of Executive's employment with the Company, effective December 31, 2007 (the "Agreement"); and

WHEREAS, the parties desire to amend the Agreement in a manner that reflects the parties best good faith efforts to comply with the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), for the benefit of the Executive.

NOW, THEREFORE, the Company and the Executive, intending to be legally bound hereby agree that the Agreement will be amended as follows:

1. Section 6(a) of the Agreement is amended by adding the following new sentence at the end thereof:

"The bonus will be paid at such time and in such manner as set forth in the applicable incentive compensation plan."

2. Section 7(b) of the Agreement is amended by inserting the following new sentence at the end thereof:

"In no event shall such an expense be reimbursed after the last day of the year following the year in which the expense was incurred."

3. Section 9 (d) is amended in its entirety as follows:

"Notice of Termination. Any purported termination for Cause by the Company or for Good Reason by the Executive shall be communicated by a written Notice of Termination to the other two weeks prior to the Termination Date (as defined below). For purposes of this Agreement, a "Notice of Termination" shall mean a notice which indicates the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Any termination by the Company other than for Cause shall be communicated by a written Notice of Termination to the Executive two (2) weeks prior to the Termination Date. However, the Company may elect to pay the Executive in lieu of two (2) weeks written notice. Any termination by the Executive without Good Reason shall be communicated by a written Notice of Termination to the Company three (3) months prior to the Termination Date. For purposes of this Agreement, no such purported termination of employment shall be effective without such Notice of Termination."

4. Section 10(a) of the Agreement is amended by adding the following after the first sentence therein:

"In the event the Executive's employment is terminated under this Subsection (a), Accrued Compensation will be paid within 60 days of the date of the Executive's Termination Date or death."

5. Section 10(b)(i) of the Agreement is amended by inserting the following at the end thereof:

"within 60 days of the Executive's Termination Date."

6. Section 10(b)(ii)(A) of the Agreement is amended by inserting the following new paragraph at the end thereof:

"Each of the payments of severance under this Section 10(b)(ii)(A) are designated as separate payments for purposes of determining if the payment qualifies as a Short-Term Deferral or as Involuntary Separation Pay. Payments that are (i) Short-Term Deferrals, and (ii) any additional payments that are Involuntary Separation Pay are excepted from the requirements of Code Section 409A. To the extent payments of severance under this Section 10(b)(ii)(A) during the first six month period following Executive's Termination Date do not qualify as a Short-Term Deferral or Involuntary Separation Pay, the payments shall be withheld and the amount of the payments withheld will be paid in a lump sum on the last day that any such severance is considered a Short-Term Deferral or Involuntary Separation Pay."

7. Section 10(b)(ii)(B) is deleted and the following is inserted in lieu thereof:

"the Company shall pay the Executive, at such time and in such manner as set forth in the applicable incentive compensation plan, any incentive compensation under the plan described in Section 6 that the Executive would have received if the Executive had remained employed with the Company for a period of one (1) year after the Termination Date;"

8. Section 10(c)(i) of the Agreement is by inserting the following at the end thereof:

"within 60 days of the Executive's Termination Date."

9. The following new Section 10(f) is added to the Agreement as follows:

"(f) Certain Definitions.

(i) For purposes of this Agreement, 'Short-Term Deferral' means payments pursuant to the rules under Treasury Regulation Section 1.409A-1(b)(4)(i) that are made on or before the 15th day of the third month of (i) the calendar year following the applicable year of termination, or (ii) if later, the Company's tax year following the applicable year of termination. Such amounts are excepted from Code Section 409A. A payment that will or may occur later than the end of the applicable 2-1/2 month period is not considered to be a Short-Term Deferral.

(ii) For purposes of this Agreement 'Involuntary Separation Pay' means payments pursuant to the rules under Treasury Regulation Section 1.409A-1(b)(9)(iii) that are made on or before the last day of the second calendar year following the year of Executive's involuntary separation from service and do not exceed the lesser of two times Base Salary or two times the limit under Code Section 401(a)(17) then in effect."

IN WITNESS WHEREOF, the parties have executed this amendment, in duplicate, on the dates set forth below.

LIMITED BRANDS, INC.

By: /s/ DOUGLAS L. WILLIAMS	12/23/2008
<hr/> Douglas L. Williams	Date Signed
Senior Vice President,	
General Counsel	

EXECUTIVE

/s/ CHARLES MCGUIGAN	12/1/2008
<hr/> Charles McGuigan	Date Signed

EMPLOYMENT AGREEMENT AMENDMENT

This Amendment to the Employment Agreement (defined below) is effective March 15, 2012 and is entered into between Limited Brands, Inc. (the "Company") and Charles McGuigan (the "Executive") and shall for all purposes constitute and be deemed an amendment to the Employment Agreement entered into as of December 31, 2007, by and between Limited Brands, Inc., Beauty Avenues, LLC and the Executive. The Employment Agreement, as modified by this Amendment, shall govern the terms and conditions of Executive's employment relationship with the Company.

WHEREAS, nothing in this Amendment shall cancel or modify any previous grant of stock options or restricted stock which was previously granted to the Executive or any rights to repurchase shares represented by such grants;

WHEREAS, the Executive and the Company desire to cause the Employment Agreement to be amended as provided herein; and

NOW, THEREFORE, in consideration of the foregoing and the respective agreements of the parties contained herein, the parties agree to amend the Executive's Employment Agreement as follows:

1. Section 9 (d) is amended in part as follows:

(d) Executive agrees that as part of the consideration for the Equity Grant that will be granted to him on or about March 31, 2012 that if he decides to resign his employment with the Company for reasons other than "Good Reason" to provide the Company with three (3) months prior written notice.

2. Section 10 is amended in its entirety as follows: Compensation Upon Certain

Terminations by the Company

(a) If during the term of the Agreement (including any extensions thereof), whether or not following a Change in Control (as defined below), the Executive's employment is terminated by the Company for Cause or by reason of the Executive's death, or if the Executive gives written notice not to extend the term of this Agreement, the Company's sole obligations hereunder shall be to pay the Executive the following amounts earned hereunder but not paid as of the Termination Date: (i) Base Salary, (ii) reimbursement for any and all monies advanced or expenses incurred pursuant to Section 7(b) through the Termination Date, and (iii) any earned compensation which the Executive had previously deferred (including any interest earned or credited thereon)(collectively, "Accrued Compensation"). The Executive's entitlement to any other benefits shall be determined in accordance with the Company's employee benefit plans then in effect.

(b) If the Executive's employment is terminated by the Company other than for Cause or by the Executive for Good Reason, in each case other than during the 24-month period immediately following a Change in Control, the Company's sole obligations hereunder shall be as follows:

- (i) the Company shall pay the Executive the Accrued Compensation;
- (ii) the Company shall continue to pay the Executive the Base Salary for a period of one (1) year following the Termination Date;
- (iii) in consideration of the Executive signing a General Release, the Company shall (A) pay the Executive any incentive compensation under the plan described in Section 6 that the Executive would have received if he had remained employed with the Company for a period of one (1) year after the Termination Date; (B) pay the Executive his Base Salary for one additional year after payments have ended under Section 10(b)(ii).

(c) If the Executive's employment is terminated by the Company by reason of the Executive's Disability, the Company's sole obligations hereunder shall be as follows:

- (i) the Company shall pay the Executive the Accrued Compensation; and
- (ii) the Executive shall be entitled to receive disability benefits available under the Company's Executive Long Term Disability Plan.

(d) If the Executive's employment is terminated by reason of the Company's written notice to the Executive of its decision not to extend the Employment Agreement pursuant to Section 1 hereof, the Company's sole obligation hereunder shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation;

(ii) the Company shall continue to pay the Executive his Base Salary for a period of one (1) year following the expiration of such term; and

(iii) in consideration of the Executive signing a General Release, the Company shall (A) pay the Executive any incentive compensation under the plan described in Section 6 that the Executive would have received if he had remained employed with the Company for a period of one (1) year after the Termination Date; and (B) pay the Executive his Base Salary for one additional year after payments have ended under Section 10(d)(ii).

(e) For up to eighteen (18) months during the period the Executive is receiving salary continuation pursuant to Section 10(b), 10(c)(ii) or 10(d) hereof, the Company shall, at its expense, provide to the Executive and the Executive's beneficiaries medical and dental benefits substantially similar in the aggregate to the those provided to the Executive immediately prior to the date of the Executive's termination of employment; provided, however, that the Company's obligation to provide such benefits shall cease after eighteen (18) months or the Executive's first day of employment, whichever is earlier.

(f) In the event Executive becomes entitled to any payments under Section 10(g), the Company will have no obligation to make any payments set forth in Sections 10(b), (c), or (d) or provide the benefits set forth in Section 10 (e).

(g) If the Executive's employment is terminated by the Company other than for Cause or by the Executive for Good Reason, in each case during the 24 consecutive month period immediately following a Change in Control, the Company's sole obligations hereunder subject to the Executive's execution of a General Release, shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation;

(ii) the Company shall pay the Executive a lump sum payment in cash no later than ten (10) business days after the Termination Date in an amount equal to two times Executive's Base Salary;

(iii) the Company shall pay the Executive a lump sum payment in cash no later than ten (10) business days after the Termination Date in an amount equal to the sum of the last four (4) bonus payments the Executive received under the Company's incentive compensation plan described in Section 6 and a pro-rata amount for the season in which the Executive's employment is terminated based on the average of the prior four (4) bonus payments and the number of days the Executive is employed during such season; and

(iv) the Company shall reimburse the Executive for all documented legal fees and expenses reasonably incurred by the Executive in seeking to obtain or enforce any right or benefit provided by this Section 10(g) or Section 10(h).

(h) Except as provided in Section 10(e), the Executive shall not be required to mitigate the amount of any payment provided for in this Section 10 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 10 be reduced by any compensation earned by the Executive as the result of employment by another employer.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has executed this Agreement as of the day and year first above written.

LIMITED BRANDS, INC.

By: _____

Name:

Title:

Charles McGuigan

LIMITED BRANDS, INC.
2011 STOCK OPTION AND PERFORMANCE INCENTIVE PLAN
AMENDED AND RESTATED EFFECTIVE JULY 21, 2011

ARTICLE I
ESTABLISHMENT AND PURPOSE

1.01. *Establishment and Effective Date.* Effective on May 26, 2011, Limited Brands, Inc., a Delaware corporation (including any successor in name or interest thereto, the “**Company**”), established this stock incentive plan known as the “Limited Brands, Inc. 2011 Stock Option and Performance Incentive Plan.” (the “**Plan**”).

1.02. *Purpose.* The Company desires to attract and retain the best available executive and key management associates, consultants and other advisors, for itself and its subsidiaries and affiliates and to encourage the highest level of performance by such associates in order to serve the best interests of the Company and its stockholders. The Plan is expected to contribute to the attainment of these objectives by offering eligible associates, consultants and other advisors the opportunity to acquire stock ownership interests in the Company, and other rights with respect to stock of the Company, and to thereby provide them with incentives to put forth maximum effort for the success of the Company and its subsidiaries.

ARTICLE II
AWARDS

2.01. *Form of Awards.* Awards under the Plan may be granted in any one or all of the following forms: (i) incentive stock options (“**Incentive Stock Options**”) meeting the requirements of Code Section 422; (ii) nonstatutory stock options (“**Nonstatutory Stock Options**”) (unless otherwise indicated, references in the Plan to Options shall include both Incentive Stock Options and Nonstatutory Stock Options); (iii) stock appreciation rights (“**Stock Appreciation Rights**”), as described in Article VII, which may be awarded either in tandem with Options (“**Tandem Stock Appreciation Rights**”) or on a stand-alone basis (“**Nontandem Stock Appreciation Rights**”); (iv) units representing shares of common stock of the Company (“**Common Stock**”) which are restricted as provided in Article XI (“**Restricted Share Units**”); (v) units representing shares of Common Stock, as described in Article XII (“**Performance Units**”) and (vi) shares of unrestricted Common Stock (“**Unrestricted Shares**”), as described in Article XIV. In addition, awards may be granted as “Substitute Awards,” which are awards granted in assumption of, or in substitution for, any outstanding awards previously granted by a company acquired by the Company (or a subsidiary or affiliate thereof) or with which the Company (or a subsidiary or affiliate thereof) combines. Substitute Awards shall be granted in accordance with procedures complying with Section 409A of the Internal Revenue Code of 1986, as amended (the “**Code**”), and the regulations thereunder.

2.02. *Maximum Shares Available.* The maximum aggregate number of shares of Common Stock available for award under this Plan as of the Plan's effective date is 7,000,000 subject to adjustment pursuant to Article XV, plus shares of Common Stock issuable upon the exercise of Substitute Awards, plus the number of shares of Common Stock reserved for issuance under the 1993 Stock Option and Performance Plan (the “**Preexisting Plan**”) to the extent (A) that such shares were available for grants of awards under the Preexisting Plan immediately prior to the Plan's effective date or (B) that were subject to outstanding awards under the Preexisting Plan on the Plan's effective date and thereafter an event occurs (including expiration or forfeiture) which would result in such shares again being available for awards under the Plan (as determined below). All shares available for award under the Plan may be awarded in the form of Incentive Stock Options. Shares of Common Stock issued pursuant to the Plan may be either authorized but unissued shares or issued shares reacquired by the Company. In the event that prior to the end of the period during which Options may be granted under the Plan, any Option or any Nontandem Stock Appreciation Right granted under the Plan or Preexisting Plan or granted and outstanding under the Plan or Preexisting Plan expires unexercised or is terminated, surrendered or canceled (other than in connection with the exercise of a Stock Appreciation Right) without being exercised in whole or in part for any reason, or any Restricted Share Units or Performance Units are forfeited, or if such awards are settled in cash in lieu of shares of Common Stock, then the shares to which any such award relates may, at the discretion of the Committee (as defined below) to the extent permissible under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “**Act**”), be made available for subsequent awards under the Plan, upon such terms as the Committee may determine; *provided, however*, that the foregoing shall not apply to or in respect of Substitute Awards.

ARTICLE III

ADMINISTRATION

3.01. *Committee.* The Plan shall be administered by a Committee (the “**Committee**”) appointed by the Company's Board of Directors (the “**Board**”) and consisting of not less than two (2) members of the Board. Each member of the Committee shall be an “outside director” (within the meaning of Code Section 162(m)), a “non-employee director” (within the meaning of Rule 16b-3(b)(3)(i) under the Act) and “independent” to the extent required by applicable law or rules of the New York Stock Exchange.

3.02. *Powers of Committee.* Subject to the express provisions of the Plan, the Committee shall have the power and authority (i) to grant Options and to determine the purchase price of the Common Stock covered by each Option, the term of each Option, the number of shares of Common Stock to be covered by each Option and any performance objectives or vesting standards applicable to each Option; (ii) to designate Options as Incentive Stock Options or Nonstatutory Stock Options and to determine which Options, if any, shall be accompanied by Tandem Stock Appreciation Rights; (iii) to grant Tandem Stock Appreciation Rights and Nontandem Stock Appreciation Rights and to determine the terms and conditions of such rights; (iv) to grant Restricted Share Units and to determine the term of the restricted period and other conditions and restrictions applicable to such shares; (v) to grant Performance Units and to determine the performance objectives, performance periods and other conditions applicable to such units; (vi) to grant Unrestricted Shares; and (vii) to determine the associates to whom, and the time or times at which, Options, Stock Appreciation Rights, Restricted Share Units, Performance Units and Unrestricted Shares shall be granted.

3.03. *Delegation.* The Committee may delegate to one or more of its members or to any other person or persons such ministerial duties as it may deem advisable; *provided, however*, that the Committee may not delegate any of its responsibilities hereunder if such delegation will cause (i) transactions under the Plan to fail to comply with Section 16 of the Act or (ii) the Committee to fail to qualify as “outside directors” under Code Section 162(m). The Committee may also employ attorneys, consultants, accountants or other professional advisors and shall be entitled to rely upon the advice, opinions or valuations of any such advisors.

3.04. *Interpretations.* The Committee shall have sole discretionary authority to interpret the terms of the Plan, to adopt and revise rules, regulations and policies to administer the Plan and to make any other factual determinations which it believes to be necessary or advisable for the administration of the Plan. All actions taken and interpretations and determinations made by the Committee in good faith shall be final and binding upon the Company, all associates who have received awards under the Plan and all other interested persons.

3.05. *Liability; Indemnification.* No member of the Committee, nor any person to whom duties have been delegated, shall be personally liable for any action, interpretation or determination made with respect to the Plan or awards made thereunder, and each member of the Committee shall be fully indemnified and protected by the Company with respect to any liability he or she may incur with respect to any such action, interpretation or determination, to the extent permitted by applicable law and to the extent provided in the Company's Certificate of Incorporation and Bylaws, as amended from time to time.

ARTICLE IV

ELIGIBILITY

4.01. *Eligibility.* Any associate, consultant, director or other advisor of, or any other individual who provides services to (x) the Company or any subsidiary or affiliate or (y) any joint venture in which the Company or any subsidiary or affiliate holds at least a 40% interest, shall be eligible to be selected to receive a compensatory award under or to be a “participant” in the Plan. In determining the individuals to whom awards shall be granted and the number of shares to be covered by each award, the Committee shall take into account the nature of the services rendered by such individuals, their present and potential contributions to the success of the Company and its subsidiaries and such other factors as the Committee in its sole discretion shall deem relevant. The Committee shall ensure that Common Stock underlying any award hereunder qualifies as “service recipient stock,” within the meaning of Code Section 409A and the regulations thereunder. “**Participant**” means any individual granted an award hereunder. No Participant may be granted in any calendar year awards covering more than 2,000,000 shares of Common Stock.

4.02. *Certain Limitations.* Other than in connection with (i) the acceleration of Awards pursuant to Section 18.02, (ii) the grant of Substitute Awards or (iii) the grant of awards of Restricted Share Units or Performance Units relating up to 5% of the shares available for issuance under this Plan pursuant to Section 2.02, (A) awards of Restricted Share Units or Performance Units that vest or become exercisable based on the achievement of service conditions only shall be subject to a minimum three-year vesting period following the grant date of such Award; *provided* that such Award may vest in ratable installments during such period and (B) awards of Restricted Share Units or Performance Units that vest or become exercisable based on the achievement of performance conditions (in addition to achievement of any service conditions) shall be subject to a minimum one-year vesting period following the grant date of such Award.

ARTICLE V

STOCK OPTIONS

5.01. *Grant of Options.* Options may be granted under the Plan for the purchase of shares of Common Stock. Options shall be granted in such form and upon such terms and conditions, including the satisfaction of corporate or individual performance objectives and other vesting standards, as the Committee shall from time to time determine. On or before the date of grant of an Option, the Committee shall designate the number of shares of Common Stock covered by such Option, the option price of such Option, and the recipient of the Option.

5.02. *Option Price.* The option price of each Option to purchase Common Stock shall be determined by the Committee not later than the date of the grant, but (except in the case of Substitute Awards) shall not be less than 100 percent of the Fair Market Value (as defined in Section 19.01) of the Common Stock subject to such Option on the date of grant. The option price so determined shall also be applicable in connection with the exercise of any Tandem Stock Appreciation Right granted with respect to such Option.

5.03. *Term of Options.* The term of each Option granted under the Plan shall not exceed ten (10) years from the date of grant, subject to earlier termination as provided in Articles IX and X, except as otherwise provided in Section 6.01 with respect to ten (10) percent stockholders of the Company.

5.04. *Exercise of Options.* Subject to the provisions of Article XIX ("Miscellaneous Provisions"), an Option may be exercised, in whole or in part, at such time or times as the Committee shall determine. The Committee may, in its discretion, accelerate the exercisability of any Option at any time. Options may be exercised by a Participant by giving notice to the Committee, in writing or in such other manner as the Committee may permit, stating the number of shares of Common Stock with respect to which the Option is being exercised and tendering payment therefor. Payment for the shares of Common Stock issuable upon exercise of the Option shall be made in full in cash or by certified check or, if the Committee, in its sole discretion, permits, in shares of Common Stock (valued at Fair Market Value on the date of exercise). As soon as reasonably practicable following such exercise, a certificate representing the shares of Common Stock purchased, registered in the name of the Participant, shall be delivered to the Participant. Until the issuance of the shares of Common Stock, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the shares of Common Stock that are subject to the Option.

5.05. *Cancellation of Stock Appreciation Rights.* Upon exercise of all or a portion of an Option, the related Tandem Stock Appreciation Rights shall be canceled with respect to an equal number of shares of Common Stock.

ARTICLE VI

SPECIAL RULES APPLICABLE TO INCENTIVE STOCK OPTIONS

6.01. *Ten Percent Stockholder.* Notwithstanding any other provision of this Plan to the contrary, any associates who are full-time employees of the Company and its present and future subsidiaries, shall be eligible for awards of Incentive Stock Options. However, no such associate may receive an Incentive Stock Option under the Plan if such associate, at the time the award is granted, owns (after application of the rules contained in Code Section 424(d)) stock possessing more than ten (10) percent of the total combined voting power of all classes of stock of the Company or its subsidiaries, unless (i) the option price for such Incentive Stock Option is at least 110 percent of the Fair Market Value of the Common Stock subject to such Incentive Stock Option on the date of grant and (ii) such Option is not exercisable after the date five (5) years from the date such Incentive Stock Option is granted.

6.02. *Limitation on Grants.* The aggregate Fair Market Value (determined with respect to each Incentive Stock Option at the time such Incentive Stock Option is granted) of the shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an associate during any calendar year (under this Plan or any other plan of the Company or a subsidiary) shall not exceed \$100,000.

6.03. *Limitations on Time of Grant.* No grant of an Incentive Stock Option shall be made under this Plan more than ten (10) years after the earlier of the date of adoption of the Plan by the Board or the date the Plan is approved by stockholders.

ARTICLE VII

STOCK APPRECIATION RIGHTS

7.01. *Grants of Stock Appreciation Rights.* Tandem Stock Appreciation Rights may be awarded by the Committee in connection with any Option granted under the Plan, at the time the Option is granted, and shall be subject to the same terms and conditions as the related Option, except that the medium of payment may differ. Nontandem Stock Appreciation Rights may be granted by the Committee at any time. On or before the date of grant of a Nontandem Stock Appreciation Right, the Committee shall specify the number of shares of Common Stock covered by such right, the base price of shares of Common Stock to be used in connection with the calculation described in Section 7.04 below, and the recipient of the award. Except in the case of a Substitute Award, the base price of a Nontandem Stock Appreciation Right shall be not less than 100 percent of the Fair Market Value of a share of Common Stock on the date of grant. Stock Appreciation Rights shall be subject to such terms and conditions not inconsistent with the other provisions of this Plan as the Committee shall determine.

7.02. *Limitations on Exercise.* Subject to the provisions of Articles IX, X and XIX, a Tandem Stock Appreciation Right shall be exercisable only to the extent that the related Option is exercisable and shall be subject to the same exercise period as the related Option, which shall be set forth in the applicable agreement on or before the date of grant. Upon the exercise of all or a portion of Tandem Stock Appreciation Rights, the related Option shall be canceled with respect to an equal number of shares of Common Stock. Shares of Common Stock subject to Options, or portions thereof, surrendered upon exercise of a Tandem Stock Appreciation Right, shall not be available for subsequent awards under the Plan. Subject to the provisions of Article XIX, a Nontandem Stock Appreciation Right shall be exercisable during such period as the Committee shall determine, which shall be set forth in the applicable agreement on or before the date of grant.

7.03. *Term of Stock Appreciation Rights.* The term of each Stock Appreciation Right granted under the Plan shall not exceed ten (10) years from the date of grant, subject to earlier termination as provided in Articles IX and X.

7.04. *Surrender or Exchange of Tandem Stock Appreciation Rights.* A Tandem Stock Appreciation Right shall entitle the Participant to surrender to the Company unexercised the related option, or any portion thereof, and to receive from the Company in exchange therefor that number of shares of Common Stock having an aggregate Fair Market Value equal to (A) the excess of (i) the Fair Market Value of one (1) share of Common Stock as of the date the Tandem Stock Appreciation Right is exercised over (ii) the option price per share specified in such Option, multiplied by (B) the number of shares of Common Stock subject to the Option, or portion thereof, which is surrendered. Cash shall be delivered in lieu of any fractional shares.

7.05. *Exercise of Nontandem Stock Appreciation Rights.* The exercise of a Nontandem Stock Appreciation Right shall entitle the Participant to receive from the Company that number of shares of Common Stock having an aggregate Fair Market Value equal to (A) the excess of (i) the Fair Market Value of one (1) share of Common Stock as of the date on which the Nontandem Stock Appreciation Right is exercised over (ii) the base price of the shares covered by the Nontandem Stock Appreciation Right, multiplied by (B) the number of shares of Common Stock covered by the Nontandem Stock Appreciation Right, or the portion thereof being exercised. Cash shall be delivered in lieu of any fractional shares.

7.06. *Settlement of Stock Appreciation Rights.* As soon as is reasonably practicable after the exercise of a Stock Appreciation Right, the Company shall (i) issue, in the name of the Participant, stock certificates representing the total number of full shares of Common Stock to which the Participant is entitled pursuant to Section 7.03 or 7.04 hereof, and cash in an amount equal to the Fair Market Value, as of the date of exercise, of any resulting fractional shares and (ii) if the Committee causes the Company to elect to settle all or part of its obligations arising out of the exercise of the Stock Appreciation Right in cash pursuant to Section 7.06, deliver to the Participant an amount in cash equal to the Fair Market Value, as of the date of exercise, of the shares of Common Stock it would otherwise be obligated to deliver.

7.07. *Cash Settlement.* The Committee, in its discretion, may cause the Company to settle all or any part of its obligation arising out of the exercise of a Stock Appreciation Right by the payment of cash in lieu of all or part of the shares of Common Stock it would otherwise be obligated to deliver in an amount equal to the Fair Market Value of such shares on the date of exercise.

ARTICLE VIII

NONTRANSFERABILITY OF OPTIONS AND STOCK APPRECIATION RIGHTS

8.01. *Nontransferability of Options and Stock Appreciation Rights.* Except to the extent permitted under Section 8.02, no Option or Stock Appreciation Right may be transferred, assigned, pledged or hypothecated (whether by operation of law or otherwise), except as provided by will or the applicable laws of descent and distribution, and no Option or Stock Appreciation Right shall be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of an Option or a Stock Appreciation Right not specifically permitted herein shall be null and void and without effect. An Option or Stock Appreciation Right may be exercised by a Participant only during the Participant's lifetime, or following the Participant's death pursuant to Article X.

8.02. *Limited Exception to Nontransferability.* Notwithstanding Section 8.01, the Committee may determine that a Nonstatutory Stock Option may be transferred by a Participant to one or more members of such Participant's immediate family, to a partnership of which the only partners are members of such Participant's immediate family, or to a trust established by a Participant for the benefit of one or more members of such Participant's immediate family. For this purpose, immediate family means a Participant's spouse, parents, children, grandchildren and the spouses of such parents, children and grandchildren. A transferee described in this Section 8.02 may not further transfer such Nonstatutory Stock Option. A trust described in this Section 8.02 may not be amended to benefit any person other than a member of the Participant's immediate family. A Nonstatutory Stock Option transferred pursuant to this Section 8.02 shall remain subject to the provisions of the Plan, including, but not limited to, the provisions of Articles 9 and 10 relating to the effect on the Nonstatutory Stock Option of the Termination of Employment, disability or death of the Participant, and shall be subject to such other rules as the Committee shall determine.

ARTICLE IX

TERMINATION OF EMPLOYMENT

9.01. *Exercise after Termination of Employment.* “**Termination of Employment**” shall mean “separation from service” as that term is defined in Code Section 409A and the regulations thereunder. Except as the Committee may at any time provide, in the event that the employment of a Participant shall be terminated either by the Participant or by the Participant's employer (for reasons other than death, disability or Cause), any Option or Stock Appreciation Right granted to such Participant may be exercised (to the extent that the Participant was entitled to do so at the time of Participant's Termination of Employment) at any time within one (1) year after such Termination of Employment, but in no case later than the date of expiration of the original term of the Option or Stock Appreciation Right; *provided, however*, that if an Incentive Stock Option is not exercised within three (3) months following Termination of Employment, it shall be treated as a Nonstatutory Stock Option. If the Participant's employment is terminated by the Participant's employer for Cause, except as the Committee may at any time provide, any Option or Stock Appreciation Right may be exercised (to the extent that the Participant was entitled to do so at the time of the Termination of Employment) at any time within thirty (30) days after such Termination of Employment, but in no case later than the date of expiration of the original term of the Option or Stock Appreciation Right. Any Options or Stock Appreciation Rights that are not exercisable on the date of a Termination of Employment for any reason shall lapse. In no event may an Option or Stock Appreciation Right be exercised after the expiration of the original term of the Option or Stock Appreciation Right.

9.02. *Total Disability.* Except as the Committee may at any time provide, in the event that a Participant to whom an Option or Stock Appreciation Right has been granted under the Plan shall become totally disabled, such Option or Stock Appreciation Right may be exercised at any time within one (1) year after the Participant's Termination of Employment due to total disability, to the extent that the Participant was entitled to do so at the time of his Termination of Employment (it being understood that such termination occurs after nine (9) months of absence from work due to the total disability), but in no case later than the date of expiration of the original term of the Option or Stock Appreciation Right. Notwithstanding the foregoing, for purposes of exercising Incentive Stock Options, a Participant shall be deemed to have a Termination of Employment if the Participant is absent from work for three (3) months due to total disability, where the date of such Termination of Employment shall be the last date of active employment before the three (3) month period; in this event, if such Participant fails to exercise his or her Incentive Stock Option within three (3) months following such deemed Termination of Employment, such Incentive Stock Option shall be treated as a Nonstatutory Stock Option. For purposes hereof, “total disability” shall have the definition set forth in the Limited Brands, Inc. Long-Term Disability Plan, which definition is hereby incorporated by reference.

ARTICLE X

DEATH OF PARTICIPANT

10.01. *Death of Participant While Employed.* If a Participant to whom an Option or Stock Appreciation Right has been granted under the Plan shall die while employed by or otherwise providing services to the Company or one of its subsidiaries or affiliates, such Option or Stock Appreciation Right shall become fully exercisable by the Participant's beneficiary (as indicated on the appropriate form provided by the Company), or if no beneficiary is so indicated, then by the estate or person who acquires the right to exercise such Option or Stock Appreciation Right upon the Participant's death by bequest or inheritance. Such exercise may occur at any time within one (1) year after the date of the Participant's death (or such other period as the Committee may at any time provide), but in no case later than the date of expiration of the original term of the Option or Stock Appreciation Right.

10.02. *Death of Participant Following Termination of Employment.* If a Participant to whom an Option or Stock Appreciation Right has been granted under the Plan shall die after the date of the Participant's Termination of Employment, but before the end of the period provided under the Plan by which a terminated Participant may exercise such Option or Stock Appreciation Right, such Option or Stock Appreciation Right may be exercised, to the extent that the Participant was entitled to do so at the time of the Participant's death, by the Participant's beneficiary (as indicated on the appropriate form provided by the Company), or if no beneficiary is so indicated, then by the estate or person who acquires the right to exercise such Option or Stock Appreciation Right upon the Participant's death by bequest or inheritance. Such exercise may occur at any time within the period in which the terminated Participant could have exercised such Option or Stock Appreciation Right if the Participant had not died (or such other period as the Committee may at any time provide), but in no case later than the date of expiration of the original term of the Option or Stock Appreciation Right.

ARTICLE XI

RESTRICTED SHARE UNITS ("RSUs")

11.01. *Grant of Restricted Share Units.* The Committee may from time to time cause the Company to grant RSUs under the Plan to Participants, subject to such restrictions, conditions and other terms as the Committee may determine. For purposes of clarification, grants under the Plan whose terms and conditions are entitled "Restricted Stock" and "Restricted Shares" may in fact be grants of RSUs and will be treated in a manner consistent with RSUs. RSU awards represent an unfunded promise to pay the Participant a specified number of shares of Common Stock (or cash equivalent, as applicable) in the future if the conditions of the RSU award are satisfied and the RSU award is not otherwise forfeited prior to the stated date of delivery, under the terms and conditions applicable to such award.

11.02. *Restrictions.* At the time a grant of RSUs is made, the Committee shall establish a period of time (the "**Restricted Period**") applicable to such RSUs. Each grant of RSUs may be subject to a different Restricted Period. The Committee may, in its sole discretion, at the time a grant is made, prescribe restrictions in addition to or other than the expiration of the Restricted Period, including the satisfaction of corporate or individual service or performance objectives, which shall be applicable to all or any portion of the RSUs. Except with respect to grants of RSUs intended to qualify as performance-based compensation for purposes of Code Section 162(m), the Committee may also, in its sole discretion, waive any restrictions applicable to all or a portion of such RSUs, provided that the applicable terms and conditions are set forth on or before the date of grant of the award to the extent required to comply with Code Section 409A and the regulations thereunder. None of the RSUs may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of. Unless otherwise provided under the terms of the award, upon the death of a Participant, any conditions applicable to RSUs which have been granted to such Participant will be deemed to have been satisfied at target and the Restricted Period, if any, applicable to Restricted RSUs held by such Participant, will be deemed to have expired. Unless otherwise provided under the terms of the award, upon the retirement of a Participant, the restrictions and conditions, if any, applicable to any RSUs which have been granted to such Participant will be deemed to have been satisfied with respect to that percentage of the RSUs equal to (i) the number of complete months between the first day of the Restricted Period and the date of the Participant's retirement, divided by (ii) the number of complete months in the Restricted Period. Any RSUs granted to a Participant for which the restrictions and conditions are not deemed to have expired pursuant to the preceding sentence shall be forfeited in accordance with Section 11.05. For purposes of this Article XI, "retirement" shall mean a Participant's Termination of Employment following the date on which a Participant has attained age 55 and completed seven years of service with the Company. An award may also provide for full or pro-rata vesting upon other events, such as upon a Change in Control or upon Termination of Employment as a result of total disability, or for other reasons, provided that any such applicable terms and conditions are set forth on or before the date of grant of the award.

11.03. *[Reserved].*

11.04. *Rights of Holders of Restricted Share Units.* Except as determined by the Committee not later than the date of grant of RSUs, Participants to whom RSUs have been granted shall not have the right to vote such shares or the right to receive any

dividends with respect to such shares, except as provided in Section 11.08 with respect to dividend equivalents. All distributions, if any, received by a Participant with respect to RSUs as a result of any stock split-up, stock distribution, a combination of shares, or other similar transaction shall be subject to the restrictions of this Article XI and the adjustment provisions of Article XV.

11.05. *Forfeiture Upon Termination of Employment.* Except as provided in Section 11.02 and Article XVIII, and as the Committee may provide in the terms of any award on or before the date of grant, any RSUs granted to a Participant pursuant to the Plan shall be forfeited if the Participant experiences a Termination of Employment either by the Participant or the Participant's employer for reasons other than death prior to the expiration of the Restricted Period and the satisfaction of any other conditions applicable to such RSUs. In addition, if the Participant's Termination of Employment occurs as a result of retirement (as defined in Section 11.02), any RSUs which do not vest in accordance with Section 11.02 shall be forfeited.

11.06. *Delivery of Shares.* Unless an election is made under Section 11.08 to defer the settlement of RSUs, and unless otherwise provided in the terms of any award, upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee, RSUs shall be settled by delivery of a stock certificate for the number of shares associated with the award with respect to which the restrictions have expired or the terms and conditions have been satisfied to the Participant or the Participant's beneficiary or estate, as the case may be. Such payment in settlement shall be made promptly, but in any event not later than (i) the end of the year in which the Restricted Period ended and the conditions were satisfied or (ii) if later, the 15th day of the third calendar month following the date on which the Restricted Period ended, provided that the award holder will not be permitted, directly or indirectly, to designate the taxable year of settlement. The Participant may be required to execute a release of claims against the Company and its subsidiaries in this event. If an election is made under Section 11.08 to defer the settlement of RSUs, delivery shall occur as described here but upon the date or dates of delivery in accordance with Section 11.09 and the deferral election. Notwithstanding the above, if the Participant is a "specified employee," as that term is defined in Code Section 409A and the regulations thereunder, and is entitled to receive a payment upon Termination of Employment or on a date determinable based on the date of Termination of Employment (and not a pre-determined fixed date or schedule), then, except in the event of the Participant's death after such Termination of Employment, such payment shall be delayed by at least six (6) months after the date of such Participant's Termination of Employment to the extent required by Code Section 409A and the regulations thereunder.

11.07. *Performance-Based Objectives.* At the time of the grant of RSUs to a Participant, and prior to the beginning of the performance period to which performance objectives relate, the Committee may establish performance objectives based on any one or more of the following, which may be expressed with respect to the Company or one or more operating units or groups, as the Committee may determine: price of Common Stock, or the common stock of any affiliate, shareholder return, return on equity, return on investment, return on capital, sales productivity, comparable store sales growth, economic profit, economic value added, net income, operating income, gross margin, sales, free cash flow, earnings per share, operating company contribution or market share. These factors shall have a minimum performance standard below which, and a maximum performance standard above which, no payments will be made. These performance goals may be based on an analysis of historical performance and growth expectations for the business, financial results of other comparable businesses, and progress towards achieving the long-range strategic plan for the business. These performance goals and determination of results shall be based entirely on financial measures. The Committee shall specify how any performance objectives shall be adjusted to the extent necessary to prevent dilution or enlargement of any award as a result of extraordinary events or circumstances, as determined by the Committee, or to exclude the effects of extraordinary, unusual, or non-recurring items; changes in applicable laws, regulations, or accounting principles; currency fluctuations; discontinued operations; non-cash items, such as amortization, depreciation, or reserves; asset impairment; or any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-up, combination, liquidation, dissolution, sale of assets, or other similar corporation transaction; *provided, however*, that no such adjustment will be made if the effect of such adjustment would cause an award to fail to qualify as performance-based compensation within the meaning of Code Section 162(m). The Committee may not use any discretion to modify award results except as permitted under Code Section 162(m). In addition, with respect to any RSUs granted that are intended to be "performance-based" for purposes of Code Section 162(m), such award shall not be payable upon Termination of Employment for any reason other than due to death, total disability (as defined in Article IX) or upon a Change in Control (as defined in Article XVIII), unless the payment is based on achievement of the associated performance objectives. To the extent that the award is subject to Code Section 409A, payment upon Termination of Employment in connection with a Change in Control must be made upon a Change in Control that satisfies the definition of "change in control event" in Code Section 409A and the regulations thereunder, unless otherwise permitted in satisfaction of the alternative payment rules under Code Section 409A and the regulations thereunder.

11.08. *Deferred Restricted Share Units.* The Committee may permit a Participant who has been designated to receive an RSU award to elect to defer the receipt of the shares in settlement of such RSU award as well as the form of payment of such deferred RSUs.

All elections under this Section 11.08 to defer the settlement of an RSU award must be made in accordance with the requirements of Code Section 409A and the regulations thereunder. Any election not in compliance with such requirements shall be treated as

invalid and the deferral election shall be disregarded and distribution of the shares upon settlement of the awards shall be made as though the Participant did not elect to defer. For this purpose, an invalid deferral election shall include (but is not limited to) a deferral election that (i) is not executed (regardless of when received), (ii) is executed but received after the applicable irrevocable date or (iii) cannot otherwise become effective under applicable rules. If a valid deferral election is incomplete, the deferral election shall be honored and distribution of the shares attributable to the awards shall be made as though the Participant elected a deferred lump sum payment. For this purpose, a valid but incomplete deferral election is one that has been received and executed on or before the applicable irrevocable date, but does not indicate the form of payment (lump sum versus installments), or indicates an election for installment payments but not the number of installment payments. Unless the award agreement and terms and conditions accompanying specific awards indicate otherwise, or as otherwise provided in the Plan, the deferred RSUs shall be subject to the same restrictions, conditions and forfeiture provisions as the associated nondeferred RSUs.

Except as determined otherwise by the Committee on or before grant and as set forth in the terms and conditions accompanying such awards, during the Restricted Period with respect to RSUs, Participants shall not have the right to receive any dividends. After the end of the Restricted Period and prior to the time that shares of Common Stock are transferred to the Participant, within sixty (60) days after the date of payment of a dividend by the Company on its shares of Common Stock, the Participant shall be credited with "dividend equivalents" with respect to each outstanding RSU in an amount equal to the amount the Participant would have received as dividends if the RSUs were actual shares of Common Stock. Such dividend equivalents will be converted into additional RSUs based on the value of the Common Stock on the dividend payment date, in accordance with the procedures established by the Committee, and paid at the same time and in the same manner as the underlying RSUs.

At no time shall any assets of the Company be segregated for payment of RSUs hereunder. Participants who have elected to defer the settlement of RSUs shall at all times have the status of general unsecured creditors of the Company and shall not have any rights in or against specific assets of the Company. The Plan constitutes a mere promise by the Company to make payments attributable to RSUs in the future, in accordance with the applicable terms and conditions.

11.09. Payment of Deferred Restricted Share Units. RSUs are payable solely in shares of unrestricted Common Stock, and shall be paid in accordance with the terms of delivery under Section 11.06 and this Section 11.09. Shares attributable to deferred RSUs that are vested in accordance with the terms and conditions applicable to such awards shall be transferred to the Participant at the time and in the form as elected by the Participant and as set forth in the terms and conditions applicable to such awards, which shall be either in a single payment or in up to ten (10) installment payments.

If a lump sum distribution is elected, the payment shall be made on the date provided in, and in accordance with, the terms and conditions applicable to the award. If installment distributions are elected, the initial installment shall be paid on the date provided in, and in accordance with, the terms and conditions applicable to the award. Subsequent installments shall be made on each anniversary of the initial installment and shall continue for the duration of the selected distribution period. If the Participant dies prior to the time all shares have been distributed, distribution shall be made to the Participant's beneficiary or estate on the payment date provided in, and in accordance with, the terms and conditions applicable to the award. If Termination of Employment occurs during the Restricted Period, the terms and conditions shall set forth the rights of the Participant to payment, as well as the time and form of distribution of such awards, if any, to the Participant. A participant shall have no rights as a shareholder with respect to deferred RSUs until such time, if any, as shares of Common Stock are transferred to the Participant (or the Participant's beneficiary or estate, if applicable). Notwithstanding the above, if the Participant is a specified employee and is entitled to receive payment upon Termination of Employment or on a date determinable based on the date of Termination of Employment (and not a pre-determined fixed date or schedule), then, except in the event of the Participant's death after such Termination of Employment, such payment (or in the case of installments, the first payment) shall be delayed by at least six (6) months after the date of such Participant's Termination of Employment, to the extent required by Code Section 409A and the regulations thereunder; in this event, subsequent installment payments shall occur on the anniversary of the first delayed installment payment.

Provided that the terms and conditions applicable to a deferred RSU award permit it, a Participant may change the Participant's distribution election, provided such change in distribution election is made not less than 12 months before the date the payment (or in the case of installments, the first payment) is scheduled to be made, and is irrevocable after this date. Such an election may be made to change payment(s) from a single lump sum payment to installment payments, from installment payments to a single lump sum payment, or from one number of installment payments to another number of installment payments, by submitting such election to the Company; *provided*, (i) such election does not become effective until at least twelve (12) months after the date on which the election is made and (ii) except in the case of payment permissible upon the Participant's death, the payment (or in the case of installments the first payment) must be deferred for a period of not less than five (5) years from the date such payment would have been made or commenced if there had been no election to change the form of payment. For this purpose, all installment payments are treated as a single payment. Any election not made in accordance with such procedures shall be treated as invalid, and the change in distribution election shall be disregarded and distribution of the shares attributable to the awards shall be made as though the Participant did not elect to change the time and form of distribution. For this purpose, an invalid change in distribution election shall include (but is not limited to) an election that (i) is not executed (regardless of when received), (ii) is executed but

received after the applicable irrevocable date or (iii) cannot otherwise become effective under applicable rules. If a valid change in distribution election is incomplete, the change in distribution election shall be honored and distribution of the shares attributable to the awards shall be made as though the associate elected a change in distribution to a deferred lump sum payment. For this purpose, a valid but incomplete change in distribution election is one that has been received and executed on or before the applicable irrevocable date, but does not indicate the form of payment (lump sum versus installments), or indicates an election for installment payments but not the number of installment payments.

ARTICLE XII

PERFORMANCE UNITS

12.01. *Award of Performance Units.* For each Performance Period (as defined in Section 12.02), Performance Units may be granted under the Plan to such Participants as the Committee shall determine. The award agreement covering such Performance Units shall specify a value for each Performance Unit or shall set forth a formula for determining the value of each Performance Unit at the time of payment (the “**Ending Value**”). If necessary to make the calculation of the amount to be paid to the Participant pursuant to Sections 12.03 and 12.04, the Committee shall also state in the award agreement the initial value of each Performance Unit (the “**Initial Value**”). The award agreement may also specify that each Performance Unit is deemed to be equivalent to one (1) share of Common Stock. Performance Units granted to a Participant shall be credited to an account (a “**Performance Unit Account**”) established and maintained for such Participant.

12.02. *Performance Period.* “**Performance Period**” shall mean such period of time as shall be determined by the Committee in its sole discretion. Different Performance Periods may be established for different Participants receiving Performance Units. Performance Periods may run consecutively or concurrently.

12.03. *Right to Payment of Performance Units.* All applicable terms and conditions shall be set forth in the award agreement and/or in accompanying terms and conditions on or before the date of grant of Performance Units. With respect to each award of Performance Units under this Plan, the Committee shall specify performance objectives (the “**Performance Objectives**”) which must be satisfied in order for the Participant to vest in the Performance Units which have been awarded to the Participant for the Performance Period. If the Performance Objectives established for a Participant for the Performance Period are partially but not fully met, the Committee may, nonetheless, in its sole discretion, determine that all or a portion of the Performance Units have vested but such determination shall not change the date of payment of the awards. If the Performance Objectives for a Performance Period are exceeded, the Committee may, in its sole discretion, grant additional, fully vested Performance Units to the Participant. On or before the date of grant, the Committee may also determine, in its sole discretion, that Performance Units awarded to a Participant shall become partially or fully vested upon the Participant's death, total disability (as defined in Article IX) or retirement (as defined in Section 11.02), or upon the Participant's Termination of Employment prior to the end of the Performance Period but such determination shall not change the date of payment of the awards. Performance Unit awards represent an unfunded promise to pay the Participant the value specified in the award agreement and/or applicable terms and conditions in the future if the conditions associated with the Performance Unit award are satisfied and the Performance Units are not otherwise forfeited prior to the stated date of payment, under the terms and conditions applicable to such award. The provisions of Section 11.07 shall apply to any Performance Units that are intended to qualify as performance-based in accordance with Code Section 162(m) and the regulations thereunder.

12.04. *Payment for Performance Units.* As soon as practicable following the end of a Performance Period but not later than 90 days after the end of a Performance Period, the Committee shall determine whether the Performance Objectives for the Performance Period have been achieved (or partially achieved to the extent necessary to permit partial vesting at the discretion of the Committee pursuant to Section 12.03). If the Performance Objectives for the Performance Period have been exceeded, the Committee shall determine whether additional Performance Units shall be granted to the Participant pursuant to Section 12.03. Within 90 days after the end of a Performance Period, provided the Committee determines the Performance Objectives have been achieved or partially achieved pursuant to Section 12.03, if the award agreement specifies that each Performance Unit is deemed to be equivalent to one (1) share of Common Stock, the Company shall pay to the Participant an amount with respect to each vested Performance Unit equal to the Fair Market Value of a share of Common Stock on such payment date or, if the Committee shall so specify at the time of grant, an amount equal to (i) the Fair Market Value of a share of Common Stock on the payment date less (ii) the Fair Market Value of a share of Common Stock on the date of grant of the Performance Unit. If the award agreement specifies a value for each Performance Unit or sets forth a formula for determining the value of each Performance Unit at the time of payment, then within 90 days after the end of a Performance Period, provided the Committee determines the Performance Objectives have been achieved or partially achieved pursuant to Section 12.03, the Company shall pay to the Participant an amount with respect to each vested Performance Unit equal to the Ending Value of the Performance Unit or, if the Committee shall so specify at the time of grant, an amount equal to (i) the Ending Value of the Performance Unit less (ii) the Initial Value of the Performance Unit. Payment shall be made entirely in cash, entirely in Common Stock or in such combination of cash and Common Stock as the Committee shall determine.

12.05. *Voting and Dividend Rights.* Except as the Committee may otherwise provide, no Participant shall be entitled to any voting rights, to receive any dividends, or to have his or her Performance Unit Account credited or increased as a result of any dividends or other distribution with respect to Common Stock. Notwithstanding the foregoing, to the extent provided or set forth in the award agreement and/or applicable terms and conditions on or before the date of grant of a Performance Unit award, within sixty (60) days after the date of payment of a dividend by the Company on its shares of Common Stock, a Participant's Performance Unit Account may be credited with additional Performance Units having an aggregate Fair Market Value equal to the dividend per share paid on the Common Stock multiplied by the number of Performance Units credited to the Participant's account at the time the dividend was declared. Subject to the prior satisfaction of the applicable Performance Objectives, payment of such additional Performance Units shall be made at the same time and in the same manner as the Performance Units to which they relate.

ARTICLE XIII

UNRESTRICTED SHARES

13.01. *Award of Unrestricted Shares.* The Committee may cause the Company to grant Unrestricted Shares to associates at such time or times, in such amounts and for such reasons as the Committee, in its sole discretion, shall determine. No payment shall be required for Unrestricted Shares.

13.02. *Delivery of Unrestricted Shares.* The Company shall issue, in the name of each Participant to whom Unrestricted Shares have been granted, stock certificates representing the total number of Unrestricted Shares granted to the associate, and shall deliver such certificates to the Participant on a fixed or objectively determinable date of payment, which shall be set forth at the time of grant.

13.03. *Deferred Share Units.* The Committee may permit a Participant who has been designated to receive an Unrestricted Share award to elect to receive such Unrestricted Share award in the form of Deferred Share Units.

Any such election must be made on or before December 31 of the calendar year prior to the year the compensation attributable to such award (or any portion of such award) is earned, and shall be irrevocable after such date, and further shall comply with the rules set forth in Section 11.08, which apply to deferral elections, including such rules relating to invalid and valid but incomplete deferral elections. Each "Deferred Share Unit" represents the right to receive a share of Common Stock in the future. At no time shall any assets of the Company be segregated for payment of Deferred Share Units hereunder. Participants who have elected to receive Unrestricted Shares in the form of Deferred Share Units shall at all times have the status of general unsecured creditors of the Company and shall not have any rights in or against specific assets of the Company. The Plan constitutes a mere promise by the Company to make payments on Deferred Share Units in the future.

After the award of Deferred Share Units to the Participant and prior to the time that shares of Common Stock are transferred to the Participant pursuant to Section 13.04, within sixty (60) days after the date of payment of a dividend by the Company on its shares of Common Stock, the Participant shall be credited with "dividend equivalents" with respect to each outstanding Deferred Share Unit in an amount equal to the amount the Participant would have received as dividends if the Deferred Share Units were actual shares of Common Stock. Such dividend equivalents will be converted into additional Deferred Share Units based on the value of the Common Stock on the dividend payment date, in accordance with the procedures established by the Committee, and paid at the same time and in the same manner as the underlying Deferred Share Units.

13.04. *Payment of Deferred Share Units.* Deferred Share Units are payable solely in shares of unrestricted Common Stock, and shall be paid in accordance with the terms of delivery under Section 13.03 and this Section 13.04. Shares applicable to such awards shall be transferred to the Participant at the time and in the form as elected by the Participant and as set forth in the terms and conditions applicable to such awards, which shall be either in a single payment or in up to ten (10) installment payments.

If a lump sum distribution is elected, the payment shall be made on the date provided in, and in accordance with, the terms and conditions applicable to the award. If installment distributions are elected, the initial installment shall be paid on the date provided in, and in accordance with, the terms and conditions applicable to the award. Subsequent installments shall be made on each anniversary of the initial installment and shall continue for the duration of the selected distribution period. If the Participant dies prior to the time all shares have been distributed, distribution shall be made to the Participant's beneficiary or estate on the payment date provided in, and in accordance with, the terms and conditions applicable to the award. A Participant shall have no rights as a shareholder with respect to Deferred Share Units until such time, if any, as shares of Common Stock are transferred to the Participant (or the Participant's beneficiary or estate, if applicable). Notwithstanding the above, if the Participant is a specified employee and is entitled to receive payment upon Termination of Employment or on a date determinable based on the date of Termination of Employment (and not a pre-determined fixed date or schedule), then, except in the event of the Participant's death after such Termination of Employment, such payment (or in the case of installments, the first payment) shall be delayed by at least

six (6) months after the date of such Participant's Termination of Employment, to the extent required by Code Section 409A and the regulations thereunder; in this event, subsequent installment payments shall occur on the anniversary of the first delayed installment payment.

Provided that the terms and conditions applicable to a Deferred Share Unit award permit it, a Participant may change the Participant's distribution election, provided such change in distribution election shall comply with the procedures and rules set forth in Section 11.09 which apply to change in distribution elections, including such rules relating to invalid and valid but incomplete change in distribution elections.

ARTICLE XIV

CLAWBACK

14.01. *Clawback.* If the Committee determines in good faith either that: (i) if required by applicable law with respect to a Participant or (ii) (x) a Participant engaged in fraudulent conduct or activities relating to the Company, (y) a Participant has knowledge of such conduct or activities or (z) a Participant, based upon the Participant's position, duties or responsibilities, should have had knowledge of such conduct or activities, the Committee shall have the power and authority under the Plan to terminate without payment all outstanding awards under the Plan. If required by applicable law with respect to a Participant or if a Participant described in (ii) above has received any compensation pursuant to an award granted under the Plan that is based on or results from such conduct or activities, such Participant shall promptly reimburse to the Company a sum equal to either an amount required by such law or the amount of such compensation paid in respect of the year in which such conduct or activities occurred, as applicable.

ARTICLE XV

ADJUSTMENTS; REPRICING

15.01. *Adjustments.* Notwithstanding any other provision of the Plan, the Committee shall make or provide for such adjustments to the Plan, to the number and class of shares available thereunder or to any outstanding Options, Stock Appreciation Rights, RSUs, Performance Units or other awards as it shall deem appropriate to prevent dilution or enlargement of rights, including adjustments in the event of changes in the number of shares of outstanding Common Stock by reason of stock dividends, extraordinary cash dividends, split-ups, recapitalizations, mergers, consolidations, combinations or exchanges of shares, separations, reorganizations, liquidations and the like. However, any such adjustment with respect to Options and Stock Appreciation Rights shall satisfy the requirements of Reg. §1.409A-1(b)(5)(v)(D) and shall otherwise ensure that such awards continue to be exempt from Code Section 409A, and any such adjustment to awards that are subject to Code Section 409A, including RSUs and Performance Units, shall be made to the extent compliant with Code Section 409A and the regulations thereunder.

15.02. *Repricing.* Except as provided above in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the terms of outstanding awards may not be amended to reduce the exercise price of outstanding Options or Stock Appreciation Rights or cancel outstanding Options or Stock Appreciation Rights in exchange for cash, other awards or Options or Stock Appreciation Rights with an exercise price that is less than the exercise price of the original Options or Stock Appreciation Rights without stockholder approval.

ARTICLE XVI

AMENDMENT AND TERMINATION

16.01. *Amendment and Termination.* The Board may suspend, terminate, modify or amend the Plan, provided that any amendment that would constitute a "material revision" of the Plan within the meaning of New York Stock Exchange Rule 303A (8) shall be subject to the approval of the Company's stockholders. If the Plan is terminated, the terms of the Plan shall, notwithstanding such termination, continue to apply to awards granted prior to such termination. No suspension, termination, modification or amendment of the Plan may, without the consent of the Participant to whom an award shall theretofore have been granted, materially adversely affect the rights of such Participant under such award, except to the extent any such action is undertaken to cause the Plan to comply with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations.

ARTICLE XVII
WRITTEN AGREEMENT

17.01. *Written Agreements.* Each award of Options, Stock Appreciation Rights, RSUs, Performance Units and Unrestricted Shares shall be evidenced by a written agreement, executed by the Participant and the Company, and containing such restrictions, terms and conditions, if any, as the Committee may require. In the event of any conflict between a written agreement and the Plan, the terms of the Plan shall govern.

ARTICLE XVIII
CHANGE IN CONTROL

18.01. *Definition of Change in Control.* For purposes of this Plan, a “**Change in Control**” means, and shall be deemed to have occurred upon, the occurrence of any of the following events:

- (a) Any Person (other than an Excluded Person) becomes, together with all “affiliates” and “associates” (each as defined under Rule 12b-2 of the Act) the “beneficial owner” (as defined under Rule 13d-3 of the Act) of securities representing 33% or more of the combined voting power of the Voting Stock of the Company then outstanding, unless such Person becomes the “beneficial owner” of 33% or more of the combined voting power of such Voting Stock then outstanding solely as a result of an acquisition of such Voting Stock by the Company which, by reducing the Voting Stock of the Company outstanding, increases the proportionate Voting Stock beneficially owned by such Person (together with all “affiliates” and “associates” of such Person) to 33% or more of the combined voting power of the Voting Stock of the Company then outstanding; *provided* that if a Person shall become the “beneficial owner” of 33% or more of the combined voting power of the Voting Stock of the Company then outstanding by reason of such Voting Stock acquisition by the Company and shall thereafter become the “beneficial owner” of any additional Voting Stock of the Company which causes the proportionate voting power of Voting Stock beneficially owned by such Person to increase to 33% or more of the combined voting power of the Voting Stock of the Company then outstanding, such Person shall, upon becoming the “beneficial owner” of such additional Voting Stock of the Company, be deemed to have become the “beneficial owner” of 33% or more of the combined voting power of the Voting Stock then outstanding other than solely as a result of such Voting Stock acquisition by the Company;
- (b) During any period of 24 consecutive months, individuals who at the beginning of such period constitute the Board of Directors of the Company (and any new Director, whose election by such Board or nomination for election by the stockholders of the Company was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was so approved), cease for any reason to constitute a majority of Directors then constituting such Board;
- (c) A reorganization, merger or consolidation of the Company is consummated, in each case, unless, immediately following such reorganization, merger or consolidation, (i) more than 50% of, respectively, the then-outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the “beneficial owners” of the Voting Stock of the Company outstanding immediately prior to such reorganization, merger or consolidation, (ii) no Person (but excluding for this purpose any Excluded Person and any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 33% or more of the voting power of the outstanding Voting Stock of the Company) beneficially owns, directly or indirectly, 33% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Board of Directors of the Company at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or
- (d) The consummation of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to any corporation with respect to which, immediately following such sale or other disposition, (A) more than 50% of, respectively, the then-outstanding shares of common stock of such corporation and the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the “beneficial owners” of the Voting Stock of the Company outstanding immediately prior to such sale or other disposition of assets, (B) no Person (but excluding for this purpose any Excluded Person and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 33% or more of the voting power of the outstanding Voting Stock of the Company) beneficially owns,

directly or indirectly, 33% or more of, respectively, the then-outstanding shares of common stock of such corporation or the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors and (C) at least a majority of the members of the board of directors of such corporation were members of the Board of Directors of the Company at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company.

Notwithstanding the foregoing, in no event shall a "Change in Control" be deemed to have occurred (i) as a result of the formation of a Holding Company or (ii) with respect to a Participant, if the Participant is part of a "group," within the meaning of Section 13 (d)(3) of the Act as in effect on the Plan's effective date, which consummates the Change in Control transaction. In addition, for purposes of the definition of "Change in Control" a Person engaged in business as an underwriter of securities shall not be deemed to be the "beneficial owner" of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty (40) days after the date of such acquisition. "**Excluded Person**" shall mean (i) the Company; (ii) any of the Company's subsidiaries; (iii) any Holding Company; (iv) any employee benefit plan of the Company, any of its subsidiaries or a Holding Company; or (v) any Person organized, appointed or established by the Company, any of its subsidiaries or a Holding Company for or pursuant to the terms of any plan described in clause (iv). "**Person**" shall mean any individual composition, partnership, limited liability company, associations, trust or other entity or organization. "**Holding Company**" shall mean an entity that becomes a holding company for the Company or its businesses as a part of any reorganization, merger, consolidation or other transaction, provided that the outstanding shares of common stock of such entity and the combined voting power of the then-outstanding voting securities of such entity entitled to vote generally in the election of directors is, immediately after such reorganization, merger, consolidation or other transaction, beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the "beneficial owners," respectively, of the Voting Stock of the Company outstanding immediately prior to such reorganization, merger, consolidation or other transaction in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or other transaction, of such outstanding Voting Stock of the Company. "**Voting Stock**" shall mean securities of the Company entitled to vote generally in the election of the Company's Board of Directors.

18.02. *Effect of Change in Control.* In the event that a Participant's employment or service is terminated by the Company other than for cause or, to the extent provided in an employment agreement between the Company and a Participant, a Participant resigns for Good Reason (as defined in the Participant's employment agreement), in either case during the 24-month period beginning on the date of a Change in Control, (i) Options and Stock Appreciation Rights granted to such Participant which are not yet exercisable shall become fully exercisable; and (ii) any restrictions applicable to any RSUs awarded to such Participant shall be deemed to have been satisfied at target and the Restricted Period, if any, applicable to such RSUs held by such Participant shall be deemed to have expired. Notwithstanding the foregoing, or the provisions of Section 11.06, if the accelerated settlement of any RSU would cause the application of additional taxes under Code Section 409A, such RSU will be settled on the date it would otherwise have been settled in the absence of a Change in Control, unless the transaction constituting the Change in Control falls within the definition of a "change in control event" within the meaning of Code Section 409A and the regulations thereunder.

ARTICLE XIX MISCELLANEOUS PROVISIONS

19.01. *Definitions: Fair Market Value and Cause.* "**Fair Market Value**," for purposes of this Plan, shall be the closing price of the Common Stock as reported on the principal exchange on which the shares are listed for the date on which the grant, exercise or other transaction occurs, or if there were no sales on such date, the most recent prior date on which there were sales. "**Cause**," for purposes of this Plan, shall mean that the Participant (1) was grossly negligent in the performance of the Participant's duties with the Company (other than a failure resulting from the Participant's incapacity due to physical or mental illness); (2) has pleaded "guilty" or "no contest" to or has been convicted of an act which is defined as a felony under federal or state law; or (3) engaged in misconduct in bad faith which could reasonably be expected to materially harm the Company's business or its reputation. The Participant shall be given written notice by the Company of a termination for Cause, which shall state in detail the particular act or acts or failures to act that constitute the grounds on which the termination for Cause is based.

19.02 *Awards to Participants Outside the United States.* The Committee may modify the terms of any outstanding or new award under the Plan granted to a Participant who is, at the time of grant or during the term of the award, resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such award shall conform to laws, regulations and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad, shall be comparable to the value of such an award to a Participant who is resident or primarily employed in the United States. An award may be modified under this Section 19.03 in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation

19.03. *Tax Withholding.* The Company shall have the right to require Participants or their beneficiaries or legal representatives

to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements, or to deduct from all payments under this Plan amounts sufficient to satisfy all withholding tax requirements. Whenever payments under the Plan are to be made to a Participant in cash, such payments shall be net of any amounts sufficient to satisfy all federal, state and local withholding tax requirements. The Committee may, in its discretion, permit a Participant to satisfy the Participant's tax withholding obligation either by (i) surrendering shares of Common Stock owned by the Participant or (ii) having the Company withhold from shares of Common Stock otherwise deliverable to the Participant. Shares of Common Stock surrendered or withheld shall be valued at their Fair Market Value as of the date on which income is required to be recognized for income tax purposes. In the case of an award of Incentive Stock Options, the foregoing right shall be deemed to be provided to the Participant at the time of such award.

19.04. *Compliance With Section 16(b) and Code Section 162(m)*. In the case of Participants who are or may be subject to Section 16 of the Act, it is the intent of the Company that the Plan and any award granted hereunder satisfy and be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3 under the Act, so that such persons will be entitled to the benefits of Rule 16b-3 under the Act or other exemptive rules under Section 16 of the Act and will not be subjected to liability thereunder. If any provision of the Plan or any award would otherwise conflict with the intent expressed herein, that provision, to the extent possible, shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with such intent, such provision shall be deemed void as applicable to Participants who are or may be subject to Section 16 of the Act. If any award hereunder is intended to qualify as performance-based for purposes of Code Section 162(m), the Committee shall not exercise any discretion to increase the payment under such award except to the extent permitted by Code Section 162(m) and the regulations thereunder.

19.05. *Successors*. The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and businesses of the Company. In the event of any of the foregoing, the Committee may, at its discretion prior to the consummation of the transaction, cancel, offer to purchase, exchange, adjust or modify any outstanding awards, at such time and in such manner as the Committee deems appropriate and in accordance with applicable law and the provisions of Article XV.

19.06. *General Creditor Status*. Participants shall have no right, title or interest whatsoever in or to any investments which the Participant may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant or beneficiary or legal representative of such Participant. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan.

19.07. *No Right to Employment*. Nothing in the Plan or in any written agreement entered into pursuant to Article XVII, nor the grant of any award, shall confer upon any Participant any right to continue in the employ of the Company or a subsidiary or to be entitled to any remuneration or benefits not set forth in the Plan or such written agreement or interfere with or limit the right of the Company or a subsidiary to modify the terms of or terminate such Participant's employment at any time.

19.08. *No Rights to Awards; No Rights to Additional Payments*. No Participant shall have any claim to be granted any award under the Plan, and there is no obligation for uniformity of treatment of Participants. All grants of awards and deliveries of Common Stock, cash or other property under the Plan shall constitute a special discretionary incentive payment to the Participant and shall not be required to be taken into account in computing any contributions to or any benefits under any retirement, profit-sharing, severance or other benefit plan of the Company or any subsidiary or affiliate, unless the Committee expressly provides otherwise in writing.

19.09. *Notices*. Notices required or permitted to be made under the Plan shall be sufficiently made if sent by registered or certified mail addressed (a) to the Participant at the Participant's address set forth in the books and records of the Company or its subsidiaries or (b) to the Company or the Committee at the principal office of the Company.

19.10. *Severability*. In the event that any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

19.11. *Governing Law*. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

19.12. *Term of Plan*. Unless earlier terminated pursuant to Article XVI hereof, the Plan shall terminate on May 25, 2021.

Limited Brands, Inc.
Computation of Ratio of Earnings to Fixed Charges

	Fiscal Year Ended				
	January 28, 2012	January 29, 2011	January 30, 2010	January 31, 2009	February 2, 2008
Earnings:	(in millions)				
Income before income taxes, noncontrolling interest and cumulative effect of change in accounting principle	\$ 1,226	\$ 1,251	\$ 650	\$ 449	\$ 1,107
Fixed charges (excluding capitalized interest)	354	329	357	297	268
Distributions from equity method investments, net of income or loss from equity investees	—	(3)	(5)	102	(3)
Total earnings	<u>\$ 1,580</u>	<u>\$ 1,577</u>	<u>\$ 1,002</u>	<u>\$ 848</u>	<u>\$ 1,372</u>
Fixed charges:					
Portion of minimum rent representative of interest	\$ 105	\$ 118	\$ 118	\$ 115	\$ 117
Interest on indebtedness (including capitalized interest)	246	208	238	184	156
Total fixed charges	<u>\$ 351</u>	<u>\$ 326</u>	<u>\$ 356</u>	<u>\$ 299</u>	<u>\$ 273</u>
Ratio of earnings to fixed charges	4.5	4.8	2.8	2.8	5.0

For the purpose of calculating the ratios of earnings to fixed charges, we calculate earnings by adding fixed charges and distributions from equity method investees, net of income or losses from equity method investees, to pre-tax income from continuing operations before noncontrolling interests in consolidated subsidiaries and cumulative effect of changes in accounting principle. Fixed charges include total interest and a portion of rent expense, which we believe is representative of the interest factor of our rent expense. Interest associated with income tax liabilities is excluded from our calculation.

SUBSIDIARIES OF THE REGISTRANT

Subsidiaries (a)	Jurisdiction of Incorporation
Bath & Body Works Direct, Inc (b)	Delaware
Limited Store Planning, Inc. (c)	Delaware
Henri Bendel, Inc. (d)	Delaware
Mast Industries, Inc. (e)	Delaware
Mast Industries (Far East) Limited (f)	Hong Kong
Limited Logistics Services, Inc. (g)	Delaware
Limited Brands Service Company, LLC (h)	Delaware
Limited Technology Services, Inc. (i)	Delaware
Limited Brands Store Operations, Inc. (j)	Delaware
Limited Brands Direct Fulfillment, Inc. (k)	Delaware
Victoria's Secret Direct Brand Management, LLC (l)	Delaware
Victoria's Secret Stores, LLC (m)	Delaware
Victoria's Secret Stores Brand Management, Inc. (n)	Delaware
Bath & Body Works, LLC (o)	Delaware
Bath & Body Works Brand Management, Inc. (p)	Delaware
beautyAvenues, LLC (q)	Delaware
Intimate Brands, Inc. (r)	Delaware
Intimate Brands Holding, LLC (s)	Delaware
La Senza Corporation (t)	Canada
Bath & Body Works (Canada) Corporation (u)	Canada
Victoria's Secret (Canada) Corporation (v)	Canada
Victoria's Secret UK Limited (w)	United Kingdom
Victoria's Secret Stores Puerto Rico, LLC (x)	Puerto Rico

- (a) The names of certain subsidiaries are omitted since such unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of January 28, 2012.
- (b) Bath & Body Works Direct, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (c) Limited Store Planning, Inc., a Delaware corporation and wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (d) Henri Bendel, Inc., a Delaware corporation, is a wholly owned subsidiary of Limited Brands Store Operations, Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (e) Mast Industries, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (f) Mast Industries (Far East) Limited, a Hong Kong corporation, is a wholly owned subsidiary of Limited (Overseas) Holdings LP, an Alberta corporation and majority owned by Limited (Overseas) Inc., a Delaware corporation and wholly owned of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (g) Limited Logistics Services, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

- (h) Limited Brands Service Company, LLC (formerly Limited Service Corporation), a Delaware limited liability company, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (i) Limited Technology Services, Inc., a Delaware corporation, is a wholly owned subsidiary of Limited Brands Service Company, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (j) Limited Brands Store Operations, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (k) Limited Brands Direct Fulfillment, Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (l) Victoria's Secret Direct Brand Management, LLC, a Delaware limited liability company, is a wholly owned subsidiary of Victoria's Secret Stores Brand Management, Inc., a Delaware Corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (m) Victoria's Secret Stores, LLC, a Delaware limited liability company, is a wholly owned subsidiary of Limited Brands Store Operations, Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (n) Victoria's Secret Stores Brand Management, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (o) Bath & Body Works, LLC, a Delaware limited liability company, and a wholly owned subsidiary of Limited Brands Store Operations, Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (p) Bath & Body Works Brand Management, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (q) beautyAvenues, LLC (formerly beautyAvenues, Inc.), a Delaware limited liability company, is a wholly owned subsidiary of Mast Industries, Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (r) Intimate Brands, Inc., a Delaware corporation, is a wholly owned subsidiary of the registrant.
- (s) Intimate Brands Holding, LLC, a Delaware limited liability company is a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (t) La Senza Corporation, a Canadian corporation, is a wholly owned subsidiary of Limited Brands Canada, a Nova Scotia corporation and a wholly owned subsidiary of Canada Brands Finance LP, an Alberta Limited Partnership and a majority owned subsidiary of Luxembourg (Overseas) Holdings S.a.r.l, a Luxembourg corporation and a wholly owned subsidiary of Limited (Overseas) Holdings LP, an Alberta corporation and majority owned by Limited (Overseas) Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (u) Bath & Body Works (Canada) Corporation, a Nova Scotia corporation and a wholly-owned subsidiary of Limited Brands International S.a.r.l, a Luxembourg corporation and a wholly-owned subsidiary of Limited (Overseas) Holdings LP, an Alberta corporation and majority owned by Limited (Overseas) Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (v) Victoria's Secret (Canada) Corporation, a Nova Scotia corporation and a wholly-owned subsidiary of Victoria's Secret International S.a.r.l, a Luxembourg corporation and a wholly-owned subsidiary of Limited (Overseas) Holdings LP, an Alberta corporation and majority owned by Limited (Overseas) Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.
- (w) Victoria's Secret UK Limited, a United Kingdom limited company and a wholly-owned subsidiary of Luxembourg (Overseas) Holdings S.a.r.l, a Luxembourg corporation and a wholly-owned subsidiary of Limited (Overseas) Holdings LP, an Alberta corporation and majority owned by Limited (Overseas) Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

- (x) Victoria's Secret Stores Puerto Rico, LLC, a Puerto Rico limited liability company and a wholly-owned subsidiary of Luxembourg (Overseas) Holdings S.a.r.l, a Luxembourg corporation and a wholly-owned subsidiary of Limited (Overseas) Holdings LP, an Alberta corporation and majority owned by Limited (Overseas) Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc, a Delaware corporation and a wholly owned subsidiary of the registrant.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of Limited Brands, Inc. and, with respect to the Registration Statements on Forms S-3 and S-4, in the related Prospectus of Limited Brands, Inc.:

Registration Statement (Form S-3 ASR No. 333-170406)
Registration Statement (Form S-4 No. 333-163026)
Registration Statement (Form S-8 No. 33-49871)
Registration Statement (Form S-8 No. 333-110465)
Registration Statement (Form S-8 No. 333-04927)
Registration Statement (Form S-8 No. 333-04941)
Registration Statement (Form S-8 No. 333-118407)
Registration Statement (Form S-8 No. 333-161841)
Registration Statement (Form S-8 No. 333-176588);

of our reports dated March 23, 2012, with respect to the consolidated financial statements of Limited Brands, Inc. and subsidiaries, and the effectiveness of internal control over financial reporting of Limited Brands, Inc. and subsidiaries, included in this Annual Report (Form 10-K) for the year ended January 28, 2012.

/s/ Ernst & Young LLP

Columbus, Ohio
March 23, 2012

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 28, 2012 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Stuart B. Burgdoerfer and Martyn R. Redgrave, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 26th day of January, 2012.

/s/ LESLIE H. WEXNER

Leslie H. Wexner

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 26th day of January, 2012.

/s/ DENNIS S. HERSCH

Dennis S. Hersch

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 26th day of January, 2012.

/s/ JAMES L. HESKETT

James L. Heskett

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 26th day of January, 2012.

/s/ DONNA A. JAMES

Donna A. James

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 26th day of January, 2012.

/s/ DAVID T. KOLLAT

David T. Kollat

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 26th day of January, 2012.

/s/ WILLIAM R. LOOMIS, JR.

William R. Loomis, Jr.

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 26th day of January, 2012.

/s/ JEFFREY H. MIRO

Jeffrey H. Miro

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

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EXECUTED as of the 26th day of January, 2012.

/s/ ALLAN R. TESSLER

Allan R. Tessler

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 28, 2012 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Stuart B. Burgdoerfer and Martyn R. Redgrave, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 26th day of January, 2012.

/s/ ABIGAIL S. WEXNER

Abigail S. Wexner

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
LIMITED BRANDS, INC.

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 28, 2012 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Stuart B. Burgdoerfer and Martyn R. Redgrave, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 26th day of January, 2012.

/s/ RAYMOND ZIMMERMAN

Raymond Zimmerman

Section 302 Certification

I, Leslie H. Wexner, certify that:

1. I have reviewed this annual report on Form 10-K of Limited Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ LESLIE H. WEXNER

Leslie H. Wexner
Chairman and Chief Executive Officer

Date: March 23, 2012

Section 302 Certification

I, Stuart B. Burgdoerfer, certify that:

1. I have reviewed this annual report on Form 10-K of Limited Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer
Executive Vice President and
Chief Financial Officer

Date: March 23, 2012

Section 906 Certification

Leslie H. Wexner, the Chairman and Chief Executive Officer, and Stuart B. Burgdoerfer, the Executive Vice President and Chief Financial Officer, of Limited Brands, Inc. (the “Company”), each certifies that, to the best of his knowledge:

- (i) the Annual Report of the Company on Form 10-K dated March 23, 2012 for the fiscal year ended January 28, 2012 (the “Form 10-K”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ LESLIE H. WEXNER

Leslie H. Wexner
Chairman and Chief Executive Officer

/s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer
Executive Vice President and
Chief Financial Officer

Date: March 23, 2012